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## Iran Report Portrays Pattern of Deception



Senator David L. Boren discussing the panel report on the Iran-contra affair.

### Reagan Aides Were At Odds

By David E. Rosenbaum  
New York Times Service

WASHINGTON — A report on the Iran-contra affair made public by the Senate intelligence committee portrays Reagan administration officials as regularly deceiving one another, and Congress, about main elements of the operation.

The report, released Thursday, cites evidence that President Ronald Reagan was primarily interested in trading arms for the release of

At least seven federal inquiries into the Iran-contra affair are being conducted. Page 3.

hostages and reveals that some profits from the sale of arms to Iran may have been used by an Israeli official for "other projects." It does not specify those projects.

It also cites evidence that some profits from the arms sales were deposited in bank accounts controlled solely by Richard V. Secord, a retired air force major general, and two retired officials of the Central Intelligence Agency, apparently for the benefit of the rebels in Nicaragua. None of the three men are now in the government. Before now, it had not been known exactly who controlled the accounts.

The 65-page document, in the form of a chronology beginning in early 1985 and continuing through this month, draws no conclusions. It was based on a three-week investigation by the Senate intelligence panel under Republican leadership last month. The investigation included testimony from 36 witnesses and the examination of thousands of pages of documents from the White House and other agencies.

Earlier this month, the panel voted not to release a report that had been prepared by the Republican staff.

When Democrats gained control of the committee with the beginning of the new Congress, the panel "revised" the report and prepared the document released Thursday, according to the chairman, Senator David L. Boren of Oklahoma.

The report does not introduce new persons or dramatic new episodes. But it provides a fuller description and more details of the events than earlier drafts.

Mr. Boren stressed that the document was "preliminary" because important figures like Lieutenant Colonel Oliver L. North and Vice Admiral John M. Poindexter had refused to testify, citing their constitutional right against self-incrimination.

Late Thursday, the committee voted, 17-1, to publish the report. Mr. Boren said it would be used as a foundation for a more extensive inquiry this year by the special Senate committee that has been appointed to investigate the entire affair. A companion House committee is conducting a parallel investigation.

The report cites evidence, however, that disputes Mr. Reagan's contention that the principal purpose of the arms deals was to open a strategic relationship with "moderate" officials in Iran.

The document says Mr. North, who directed both the arms shipments and the aid to the Contras, See IRAN, Page 5



President Pieter W. Botha stood at attention at the opening of South Africa's Parliament in Cape Town on Friday.

## Pretoria's Envoy to U.K. Quits, May Seek Election

The Associated Press

JOHANNESBURG — Denis Worrall, South Africa's ambassador to Britain, has resigned, the government said Friday. There were reports that he would challenge the governing National Party in the May 6 parliamentary elections announced Friday by President Pieter W. Botha.

Mr. Botha, announcing the elections in an address to Parliament in Cape Town, also warned nations that have supported sanctions against South Africa that he would reconsider both the "content and direction" of his country's relations with them.

The resignation of Mr. Worrall was announced by Foreign Minister R.F. Botha. He said that the ambassador "has asked to be relieved of his duties," adding: "I agreed." Mr. Worrall, 48, has been ambassador to Britain since August 1984.

In London, Mr. Worrall said he had resigned to return home and "re-enter national life," but he made no comment on whether he will run against the governing National Party that he has long supported.

"In particular, I believe that this is a time for bridge-builders within all communities in South Africa to make themselves heard," Mr. Worrall said in a statement.

The Cape Times newspaper reported that Mr. Worrall, among the strongest supporters of racial reform in President Botha's National Party, was considering running against the party in the forthcoming elections, in which only white voters will participate.

Mr. Worrall, the newspaper said, was increasingly dissatisfied with the lack of concrete initiatives toward reforms in South Africa's policy of apartheid, or racial segregation.

The paper said it was unclear whether Mr. Worrall would run as an independent candidate in the elections, the first for the all-white body since 1981, or join the liberal opposition Progressive Federal Party.

The Progressive Federal Party, which holds 27 of the 178 seats in the white chamber of Parliament, and the far right Conservative Party.

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## U.S. Trims Deficit In Trade

December Total Fell but 1986 Remains Record

Compiled by Our Staff From Dispatches

WASHINGTON — The U.S. merchandise-trade deficit narrowed sharply in December as the nation trimmed its appetite for imports, but the shortfall for all of 1986 widened to a record \$169.8 billion, the government reported Friday.

The Commerce Department said

Japan's current-account surplus soared last year. Page 7.  
The dollar firmed in Europe on U.S. trade news. Page 11.

that imports for the year rose 7 percent from 1985, to \$387.1 billion, while exports increased only 2 percent, to \$217.3 billion.

Although expected, analysts said the record shortfall for the year was likely to strengthen calls in Congress for protectionist trade legislation. They noted that the deficit with Japan, which widened to \$58.6 billion from \$49.7 billion in 1985, was the largest trade imbalance ever posted between two nations.

For December, the department said the trade deficit narrowed to \$10.7 billion from a record \$19.2 billion in November as imports fell and exports held steady. The figure, considerably better than most expectations, was the lowest deficit in nearly two years.

The sharply better monthly figure reflected a fall in the value of imports, to \$29.1 billion from \$37.8 billion in November, the department said. Exports were virtually unchanged from a month earlier, however, at \$18.4 billion.

Government and private economists expressed cautious optimism about the December figures, but warned that a rapid improvement

See TRADE, Page 5



Rodrigo Duterte, a leader of the urban poor, raised an envelope of petitions as he shouted out demands for land reform at a rally attended Friday by President Corason C. Aquino in the southern Philippine city of General Santos.

## Philippines Will Purge Renegades in Military

By Michael Richardson

International Herald Tribune

MANILA — Military leaders announced Friday that the Philippines armed forces would be purged of elements that were involved in the attempt to topple the government of President Corason C. Aquino.

General Fidel V. Ramos, armed forces chief of staff, said he had recommended that a special board of officers be set up to investigate and end "the reported destabilizing activities of some members" of the armed forces.

Both he and Defense Minister Rafael Nieto stressed that only a small percentage in the military

were involved in the three-day rebellion, which ended Thursday.

"We are cleansing the military because we inherited a military full of potholes from the Marcos regime," Mr. Nieto said in an interview with Reuters.

This was an apparent reference to political intervention and other irregularities and abuses involving the armed forces during the rule of former President Ferdinand E. Marcos.

Mr. Nieto said the officers and men implicated in the rebellion would be tried in open court-martial. But he said he could not rule out the possibility of further attempts to destabilize the government.

Analysts said the statements were intended as a public assurance that military leaders loyal to Mrs. Aquino had not lost control of the armed forces and would firmly prosecute renegades, as ordered by the president.

They said the military urgently needed to put its affairs in order because the armed forces might have to resume large-scale operations against Communist guerrillas soon. The Communists announced Friday that they were breaking off peace talks with the government.

General Ramos and Aquino Pimentel, Mrs. Aquino's national affairs adviser, also made it clear that both military and political figures behind the attempt to seize control of key bases and communication centers in and around Manila would be prosecuted.

Meanwhile, the EC's Common Agricultural Policy, which subsidizes overproduction of farm products, is coming under worldwide attack for being protectionist.

These pressures have forced each side into positions where they have become more sensitive to domestic political lobbies, the experts say.

See EC, Page 5

## Waite Said to Be Tricked

Militia Official Says Envoy Is Now a Hostage

Reuters

BEIRUT — A senior Lebanese Muslim militia official said Friday that Terry Waite, the Anglican envoy who has been trying to negotiate the release of Western hostages in Lebanon, had been kidnapped by the captors of the foreigners he sought to free.

The militia official said: "My information is that Waite will not be returning, as he is kidnapped. He has been added to the list of hostages." The official asked not to be identified.

Mr. Waite has not been seen since he left the Riviera Hotel in West Beirut on Jan. 20. From his arrival in Beirut on Jan. 12 until then he had been escorted by militia loyal to the Druse Muslim chieftain, Walid Jumblatt. According to his escort, Mr. Waite had asked to be left alone.

The militia official said that Mr. Waite became a hostage "the day he left without his bodyguards." That was the trick they played, because they had planned to let him go to return and did not want the bodyguards to know where they went.

In Tunis, meanwhile, a senior Palestine Liberation Organization official said that \$2 million was paid in November to secure the release of David P. Jacobsen, an American who had been held hostage in Lebanon for 17 months.

Salah Khalaf, better known as Abu Iyad, said that the money was paid in cash by Mr. Waite. Mr. Khalaf is a close aide of Yasser Arafat, the PLO chairman.

The Lebanese weekly magazine Ash-Shiraa, which disclosed the U.S. arms sales to Iran in November, said that Mr. Waite was under house arrest and possibly kidnapped.

Earlier, several sources said that Mr. Waite had been seen in Lebanon's eastern Bekaa Valley. The Associated Press quoted a militia leader as saying that Mr. Waite had been seen "moving around freely," but did not say where.

In Washington, diplomatic sources said that Mr. Waite was being held by the Shiite Hezbollah, or Party of God, in a political tug-of-war between the militant Muslim group, which has close ties to Iran, and Mr. Jumblatt, AP reported. The sources said Mr. Waite had undertaken his latest mission at the suggestion of Mr. Jumblatt.

Before his disappearance, Mr. Waite had held face-to-face meetings with Islamic Jihad, which is holding hostages and demanding the release of 17 prisoners jailed in Kuwait for their part in a series of 1983 bomb attacks there.

Ash-Shiraa quoted political sources as saying that Mr. Waite and other hostages would not be released "until the dust clears" after the latest Gulf War offensive by Iran toward the Iraqi city of Basra.

It said Mr. Waite was seized when the kidnappers detected U.S. military preparations for a strike against them and the countries supporting them. The magazine quoted sources "close to the issue of the hostages."

In Tunis, Mr. Khalaf said of Mr. Jacobsen's release: "The money was paid through Waite in cash." He said that the cash did not come directly from the U.S. government but that American companies contributed to a fund intended to be used as ransom money.

Separately, two bombs exploded in the Christian and Moslem areas of Beirut within minutes of one another Friday. Six persons, including an 8-year-old boy, were killed and several were injured in Christian East Beirut. There were

See WAITE, Page 5

## Israelis Report Soviet Contact

Reuters

TEL AVIV — The Israeli and Soviet ambassadors to the United States held secret talks in Washington this week on Jewish emigration and a Soviet role in Middle East peace talks, Israel Radio said Friday.

The Israeli Foreign Ministry declined to confirm or deny the report. Israeli and Soviet officials held a widely publicized meeting in Helsinki in August to discuss renewing consular ties but it broke down after only 90 minutes.

The latest report added to signs that Moscow is reviewing its policy toward thousands of "refuseniks" — Jews who request to emigrate to Israel have been rejected. Foreign Minister Shimon Peres said this week that Israel would only accept a Soviet presence at a Middle East peace conference if Moscow restored diplomatic relations with Israel, which were broken off after the 1967 Middle East war, and ended discrimination against Jews.

### LATE NEWS

#### Reagan Backs 'Supercollider'

WASHINGTON (AP) — President Ronald Reagan will seek funds from Congress to build the \$6 billion nuclear particle accelerator known as a "supercollider." Energy Secretary John S. Herrington announced Friday.

Proponents of the machine say that if the European CERN consortium goes ahead with plans to build a similar accelerator and the United States does not, the world's top physics researchers "almost certainly" would flock to Europe.

### WIDE TODAY



A Zhou dynasty bell, a "blockbuster" from James Lilly's new gallery sale. Souren Melikian reports, Page 6.

### BUSINESS/FINANCE

Sweden imposed a price freeze on most goods and services. Page 7.

Pages 5 & 6 FOR MORE CLASSIFIED

## Language Purists Turn a Deaf Ear To Growing Use of Spanglish in U.S.

By Lydia Chavez

New York Times Service

NEW YORK — To many Hispanic New Yorkers, *vacunar la carpa* means to vaccinate the carpet. The phrase would baffle their counterparts abroad, however, since by most dictionaries it translates into "to vaccinate the portfolio."

Spanglish, the literate cry. But members of the little known North American Academy of the Spanish Language say Spanglish does not exist. There is no separate language, they argue, merely people who speak Spanish and English badly.

The North American academy — one of 22 academies in the Spanish-speaking world that are keepers of the language — was formed in New York in 1973. It is the youngest participant in a tradition that began in 1713 when King Philip V established the Royal Spanish Academy to "cultivate and to set standards for the purity and elegance of the Castilian tongue."

The 22 academies meet jointly every four years; the next meeting will be in 1988. Between these larger meetings, the North American academy, comprising 41 professors, linguists and authors, meets about six times a year to consider linguistic trends and to collect words for the Spanish dictionary.

The North American academy represents the fifth largest Spanish-speaking country and the most diverse. Moreover, with much of the

world's new technology developed in the United States, the academy has become useful in foreseeing the need for new words.

Although more tolerant of Anglicized Spanish than some of their Latin American colleagues, the

"Language is in continuous revolution, and we must recognize the changes imposed by the way people speak."

— Eugenio Chang-Rodriguez, Academy member

U.S. academy members are far from liberal.

"Language is in continuous revolution, and we must recognize the changes imposed by the way people speak," said Eugenio Chang-Rodriguez, a professor of Spanish at Queens College and a member of the academy.

He noted, however, that *carpetas* to describe a carpet was unacceptable, because Spanish already has a word for it — *alfombra*.

Moreover, even after a word has permeated the Spanish-speaking world, the academy waits to see if the word will survive the test of time.

"It usually takes decades," Mr. Chang-Rodriguez said.

Often, Anglicized words develop from necessity, said Theodore Beardsley, president of the Hispanic Society of America.

It was not until 1956, Mr. Beardsley noted, that Spain included a word for steering wheel in its official dictionary. By then, he said, it was too late to impose volente over the handful of other words that had been created throughout the New World.

While most of the very obvious aberrations of the language are heard on the street or seen in badly translated advertisements, Mr. Chang-Rodriguez said, he is most outraged when Anglicized words creep into the speech of educated people.

Lately, he said, at some of New York's most cultured Hispanic tables, he has heard, *aplicacion*, used to denote application instead of the Spanish word *solucion*.

The Spanish spoken in New York, Mr. Beardsley said, stems in part from a lack of some words in Caribbean Spanish. He noted that the warm native climate, for example, precludes familiarity among some Dominicans and Cubans with the Spanish word for boiler.

## EC and U.S. Brace for Conflicts

Grain Quarrel Is Settled but Other Disputes May Emerge

By Peter Maass

International Herald Tribune

BRUSSELS — The European Community and the United States, after narrowly averting a trade war over American grain exports, are bracing for hostilities on other fronts.

Instead of opening a new period of cooperation, the compromise agreement reached Thursday after acrimonious negotiations appears to have fueled anti-American bitterness in the EC — notably in France, Greece and Spain. This could increase the chances of disputes emerging over such issues as aircraft subsidies, experts say.

"We're going into a period of more pugilistic trade policy," a U.S. diplomat said. "The Europeans are going to be combative and keep pushing."

Tensions increased Thursday night within the EC during talks to

ratify the grain agreement. The problem centered on the pact's guarantee that foreign merchants be allowed an annual quota of 2.5 million tons (2.3 million metric tons) of corn and sorghum exports to Spain. Exports from the United States probably would account for two thirds of the quota.

Madrid resisted this clause, saying it was excessive and would harm the interests of Spanish farmers.

Some compromises were offered and Madrid backed down, but the incident illustrated the extent to which the grain battle has strained EC-U.S. relations.

Many trade experts said the notion of trans-Atlantic cooperation has taken a beating in the dispute. In the EC, they say, is a feeling that the community has again given in to pressure from Washington.

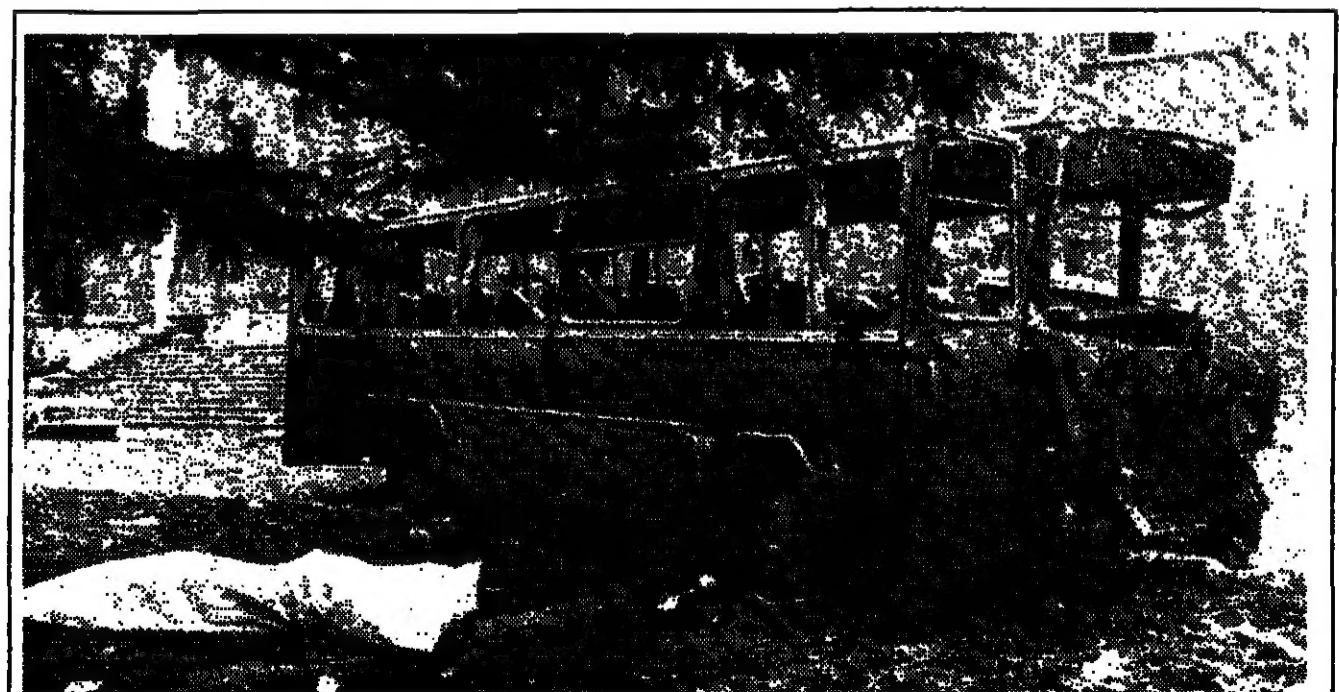
An EC grain official complained that "the community always ends up by accepting the will of the Americans."

This belief is as exaggerated as it is damaging, some trade officials say. Although they partly blame the United States, they say that the harsh attitudes, which show no signs of softening, are symptomatic of world economic imbalances, which aggravate trade tensions. A huge trade deficit and budget gap are causing the U.S. to pursue its trade rights more aggressively.

Meanwhile, the EC's Common Agricultural Policy, which subsidizes overproduction of farm products, is coming under worldwide attack for being protectionist.

These pressures have forced each side into positions where they have become more sensitive to domestic political lobbies, the experts say.

See EC, Page 5



Police said Basque separatists were responsible for the bomb attack Friday on this military bus in Zaragoza, Spain.

## Military Bus Bombed in Spain; 2 Dead, 39 Hurt

Reuters

ZARAGOZA, Spain — A car bomb destroyed a military bus in the central Zaragoza on Friday, killing an army major and a civilian driver and wounding 39 persons, the police said.

Police said they suspected that Basque separatists were responsible for the bombing.

About 200 pounds (90 kilograms) of explosives in the car went off when the bus, carrying instructors to the Zaragoza Military Academy, drove by during the morning rush hour.

The explosion ripped through the front

and side of the bus, killing the driver, Angel Ramos, 46, and wounding all 24 officers and enlisted men aboard the vehicle. Major Manuel Rivera, 45, died later in a hospital.

Doctors said six persons, five of them military officers, were in serious condition with eye wounds.

The attack sent shrapnel and glass flying up to 250 yards (230 meters) away, wounding 16 persons by and a blind 60-year-old woman selling lottery tickets.

Interior Ministry sources in Madrid said they believed the attack was in retaliation for

setbacks that the Basque separatist group ETA has suffered in Madrid and the Basque region.

ETA, the Spanish acronym for Basque Homeland and Freedom, needed to show its strength after police captured nine suspected members of its Madrid Commando organization this month, the sources said.

The Madrid Commando staged two car bomb attacks in the Spanish capital last year, killing 17 paramilitary civil guards.

Military officials said it was the first guerrilla attack in Zaragoza in seven years.



## 2 Dissidents in Soviet Will Be Freed, Forced to Leave, Sakharov Says

By Bill Keller  
New York Times Service

MOSCOW — The Soviet authorities have said that two prominent human rights campaigners, Anatoli Koryagin and Sergei D. Khodorovich, will be released from prison and forced to emigrate, according to Andrei D. Sakharov.

Mr. Sakharov, the dissident physicist, said Friday that the KGB, the Soviet internal security agency, had called in the wives of the two men and told them their husbands would be freed if the families agreed to apply for exit visas.

Both men were among 14 "prisoners of conscience" whom Mr. Sakharov had urged Mikhail S. Gorbachev, the Soviet leader, to free when Mr. Sakharov was allowed to return to Moscow from internal exile in December.

Mr. Khodorovich's wife, Tatyana, confirmed the report Friday and said that both she and her husband had reluctantly agreed to leave the country.

Western diplomats said the news appeared to be part of a broader acceleration in Soviet handling of dissident cases, including the unexpected release in recent days of at least four lesser-known dissidents and promises of drastic changes in the criminal laws governing political activities.

They cautioned, however, that in the past Soviet officials have sometimes told relatives that prisoners were to be released and failed to follow through. The wife of one leading dissident, Anatoli T. Marchenko, was invited to apply for emigration papers in December shortly before officials disclosed that her husband had died in prison.

Mr. Khodorovich, 45, was director of a fund to aid political prisoners. It collected money from foreign and Soviet donors to help dissident families with travel expenses, child support and other needs.

In 1983, he was charged with "slandering the Soviet state" and was sentenced to a labor camp in the northern Siberian town of Norilsk. Mr. Sakharov said that Mr. Khodorovich's health had deteriorated from frequent beatings and long terms in an isolation cell.

Dr. Koryagin, 48, a psychiatrist, was arrested in 1981 for smuggling to the West reports on use of Soviet mental hospitals to punish political and religious dissidents. He was sentenced to seven years of labor and five years of internal exile for disseminating "anti-Soviet propaganda."

Another prisoner on Mr. Sakharov's list of "prisoners of conscience," a former navigator, Serafim Yevsyukov, was recently released from a psychiatric hospital where he had been confined for protesting the refusal of Soviet authorities to let his family emigrate.

In Vienna, the Soviet justice minister, Boris V. Kravtsov, said Friday in a press conference that the Kremlin planned "radical measures" to alter two criminal statutes that have frequently been used against dissidents.

According to a Reuters report from Vienna, Mr. Kravtsov said the statutes, dealing with "anti-Soviet propaganda" and "slandering the Soviet state," were being reviewed in accordance with a decision by the plenary meeting of the Soviet Communist Party Central Committee.

"Radical measures will be taken in this particular area," he said. He was apparently referring to a party resolution issued Wednesday that called for new laws aimed at "safeguarding the rights and freedoms of citizens."

## Student's Slaying Puts Chun on Defensive

By Clyde Haberman  
New York Times Service

SEOUL — In life, 21 years of it, Park Jong Chun barely had time to make his mark. Death made him a political force.

Mr. Park, a student at Seoul National University, died two weeks ago while being questioned by police about the whereabouts of a campus radical leader.

He died of shock, authorities initially said. Then, as questions arose in the press and as an attending physician reported contradictory findings, authorities acknowledged that the young man had been tortured.

The policemen had shoved his head several times into a tub of water. In one of those dunkings, the government said, Mr. Park's throat was crushed against the rim of the tub. He was suffocated.

Torture cases in South Korea are not new. For decades, international human-rights organizations have accused successive regimes, including the government of President Chun Doo Hwan, of abuses.

However, to have the suspicion confirmed through a well-publicized death is rare, and the killing of Mr. Park has rearranged the South Korean political landscape, galvanizing the opposition and putting Mr. Chun on the defensive.



VIOLENCE IN PAKISTAN — A policeman pursues rioters in the Orangi district of Karachi, Pakistan, where police said Sunday at least eight persons had died and more than 100 were injured in rioting. The violence began Friday when members of the Bihari ethnic group demanded the release of Afaz Shahid, a Bihari leader.

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## Pakistanis Hold Talks In New Delhi

New York Times Service

NEW DELHI — India and Pakistan continued high-level talks Sunday aimed at easing mutual tensions, but neither side appeared willing to halt large troop movements along the border that have spread alarm in both countries in the last two weeks.

An Indian spokesman said Saturday evening that the first talks, lasting four and a half hours, were "held in a frank, businesslike and cordial atmosphere, and promoted a better mutual understanding."

At issue are military maneuvers along a 250-mile (404-kilometer) section of the Pakistan border with northwest India. Recent buildup are reported to involve about 150,000 men on the Indian side and at least half that number on the Pakistani side.

In some cases, the troops are said to be within sight of each other, raising fears that an accidental shot could lead to fighting despite pledges by each side not to start a conflict.

India and Pakistan have fought three wars since their independence in 1947 and continue to trade angry charges on a variety of issues.

Taking part in the talks Saturday were delegations led by Abidus Sattar, the Pakistani foreign secretary, and Alfred S. Gonsalves, Indian foreign secretary for India. The discussions are scheduled to continue through Monday.

Indian and Pakistani officials say that neither country can afford a war, and that none of the disputes is sufficient cause for war.

Independent military analysts say India's forces are superior to Pakistan's in numbers and weaponry, and most analysts say that India would probably win a war. Many Pakistani analysts agree, and cite this as a reason Islamabad would not want to provoke a conflict.

## Gandhi's Driving Causes Accident

The Associated Press

NEW DELHI — Prime Minister Rajiv Gandhi, a former commercial pilot, drove his Mercedes so fast through central New Delhi that his escort car was involved in an accident and the driver was injured, Sunday newspaper reported.

The Sunday Observer and Sunday Mail said the accident occurred Friday when Mr. Gandhi was late for a public ceremony. The reports said he was driving 72 miles per hour (120 kilometers per hour) and then suddenly slowed, forcing one of his escort cars to run into a curb in order to avoid hitting the prime minister. The driver was injured and the escort car badly damaged, they said.

The Observer said it was the fifth time that Mr. Gandhi's security cars had been involved in accidents because of the 42-year-old prime minister's driving. "Gandhi's speeding and insistence on driving his own vehicle is a constant nightmare to his security staff," The Mail reported.

Officials of a milk processing company in Bremen that was supposed to mix the powder with safe feeds said they knew nothing of such plans.

West Germany paid hundreds of thousands of dollars to German farmers after the Chernobyl disaster to compensate for losses incurred when they were forced to destroy contaminated crops.

Mr. Park, in a speech before more than 150 officials attending the meeting, said NATO leaders usually resorted to "misty blather" when it came to speaking out on the issues.

His remarks, aimed at leaders of the North Atlantic Treaty Organization, provoked angry rebukes from representatives attending a defense conference here.

Michael Alexander, Britain's representative to NATO, said, "There is no point in being gratuitously offensive with each other."

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## WORLD BRIEFS

### Blast Kills 4 Near Embassy in Kabul

ISLAMABAD, Pakistan (AP) — A car bomb exploded Sunday near the Indian Embassy in Kabul, Afghanistan, killing four people and wounding others, Radio Kabul said.

The broadcast did not say how many had been injured, but the United News of India news agency, in an unattributed report, said that 15 members of the Indian diplomatic staff and two Indian Airlines employees were injured.

The Afghan leader, Major General Najibullah, visited the embassy and blamed the bombing on Moslem guerrillas. There was no immediate claim of responsibility, and Moslem guerrilla leaders based in Pakistan said they had no information on the bombing.

### Some Spanish Students Halt Boycott

MADRID (Reuters) — A Spanish student organization has called off a boycott by high school pupils but said there would be more demonstrations this week against government education policy.

Leaders of Student Coordinator, one of two groups at the forefront of two months of unrest that has shaken the Socialist government, said Saturday they had decided to end the boycott because other methods would be more effective, though individual schools could continue stoppages if they wished.

The group said financial measures offered by Education Minister José María Maravall in talks Wednesday were inadequate, and that they would continue to press their demand for unrestricted access to universities, which Mr. Maravall rejects.

### Leaflets Attack Romanian Leader

BUCHAREST (Reuters) — Clandestine leaflets were distributed in the Romanian capital Sunday urging the removal of President Nicolae Ceausescu and calling for strikes, diplomatic sources said.

Diplomats from Western countries and some of Romania's Soviet allies said Saturday they had seen copies of two different leaflets circulated before Mr. Ceausescu's 68th birthday Jan. 26.

The leaflets urged people to strike Jan. 23, but there were no reports that they had any effect. Mr. Ceausescu has ruled Romania since 1965 and is one of the world's last Stalinist-style leaders.

### Barbie May Need Prostate Sur.

LYON (UPI) — Klaus Barbie, the former Gestapo chief who was deported to France from Bolivia in 1983, may have to undergo surgery to correct urinary-tract problems that caused him to be hospitalized last week, his lawyer said Sunday.

Jacques Vergès said after meeting with Mr. Barbie that if the condition requires surgery it should not delay the opening of Mr. Barbie's trial for crimes committed while he was the Lyon Gestapo chief from 1942 to 1944.

The trial of Mr. Barbie, 73, is tentatively scheduled for May or June.

### Rhine Ship Collision Spills Fertilizer

DORMAGEN, West Germany (AP) — Forty-two tons of fertilizer spilled into the Rhine River on Sunday when a Swiss tanker anchored freighter near here, authorities said. A freighter crew member was missing and presumed drowned.

The Düsseldorf city government, which is responsible for Dormagen, a few miles upstream from where the accident occurred, said the "international Rhine alarm" used chemical accidents along the river.

The alarm was lifted at 4:30 P.M., but there was no possible environmental damage to the river. In November, a trial accident, including a fire at a warehouse in Basel, spilled into the Rhine.

### Acid Attack at Gaza School Injure

GAZA CITY, Israeli-Occupied Gaza Strip (AP) — Twelve girls were injured Sunday when masked men entered Shauli High School in Gaza City and sprayed them with acid, military sources said.

In other violence, police said nine persons were wounded, one killed, in a bomb explosion on an Israeli bus on the coastal highway between Hifa and Tel Aviv. Several reports said factions of the PLO Liberation Organization claimed responsibility.

In addition, Israeli military sources said an Israeli man shot wounded a 20-year-old Palestinian in the town of Rafah in the Gaza Strip after youths attacked his vehicle with stones.

### Sri Lanka Denies Accusation on Death

COLOMBO (Reuters) — The Sri Lankan government denied Sunday accusations that security forces killed more than 200 civilians in an anti-guerrilla operation last week.

A spokesman for a group called the Citizens' Committee said "it appears now that more than 200 people have been killed" in the attack on Wednesday in the eastern district of Batticaloa.

The government said that only four civilians, as well as 23 Tamil guerrillas and 13 security men, were killed when commandos raided rebel hideouts at Kokkadicholai, about six miles (10 kilometers) southwest of Batticaloa. A spokesman called the accusations part of a "disinformation campaign."

### For the Record

Brazil's 539-member constituent assembly, charged with drawing up a constitution to replace that written during the 21-year military dictatorship that ended in March 1985, met for the first time Sunday in Brasilia.

The Long Island Rail Road, the largest U.S. commuter line, was back in operation Saturday for the first time since a strike began Jan. 18. The line went back into service because of a 60-day cooling off period ordered by Congress.

More than 100 people were arrested in a weekend raid on a West Berlin bar where a group of West Germans had gathered, allegedly to form an illegal Nazi-style political party, officials said Sunday. Several policemen and a government lawyer were injured in the raid.

### DOONESBURY



## Gunmen Kill Wife of Irish Guerrilla

The Associated Press

DUNDALK, Ireland — Two gunmen shot and killed the wife of a jailed Irish nationalist guerrilla as she was bathing her 9- and 11-year-old sons, the police reported.

The men entered through the back door of Mary McGlinchey's home Saturday night, went upstairs and shot her in the head, police said. Neighbors, who heard gunfire and screaming, found Mrs. McGlinchey, 29, slumped over the bathtub, the police said.

Police roadblocks were set up around Dundalk, which is near the border with Northern Ireland.

Dominic McGlinchey, 32, a former chief of the Irish National Liberation Army, a Marxist offshoot of the Irish Republican Army, was convicted in March of shooting at a police car and having a gun with intent to endanger life. He is serving a 10-year term at Portlaoise prison in central Ireland.

The Irish Republican Socialist Party, the political wing of the Irish National Liberation Army, said in a statement Sunday that Mrs. McGlinchey's killers belonged to a breakaway faction of the group. It described them as "pro-British agents."

The Irish National Liberation Army came to prominence in 1979 when it claimed responsibility for killing a British member of Parliament, Airey Neave, in a car bombing at the House of Commons.

On Jan. 20, at a hotel in Droghda, 20 miles (32 kilometers) south of Dundalk, two gunmen shot and killed two men linked to the Irish National Liberation Army. The group claimed responsibility for the attack.

A few days afterward, unconfirmed reports quoting sources close to the group's leadership indicated that the organization had been divided by serious feuding.

Mr. McGlinchey was quoted by a Dublin newspaper in 1983 as saying he had killed 30 persons since 1972 and taken part in about 200 bombings and shootings in Northern Ireland.

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Mary McGlinchey

suspect in Britain and Ireland, in 1985 he became the first suspect to be extradited from Ireland to Northern Ireland for trial.

He was sentenced in Belfast to life imprisonment in connection with the killing of a 63-year-old woman in 1977. The conviction was reversed on appeal.

He was extradited back to Ireland in October 1985 to face charges stemming from a gun battle with the police who captured him in County Clare on March 17, 1984.

## Bonn May Buy, Destroy Radioactive Milk

By John Tagliabue  
New York Times Service

BONN — West Germany's minister for the environment, Walter Wallmann, has suggested that the Bonn government is considering disposing of 3,000 tons of radioactive powdered milk as contaminated waste and compensating its owners.

The milk, which is under police guard in rail yards in the northern cities of Bremen and Cologne, has become an embarrassment for the Bonn government after evidence emerged suggesting that it was to be exported to Angola and Egypt.

In an interview with the Hamburg newspaper Bild am Sonntag, Mr. Wallmann said Saturday that Bonn sought "a reasonable solution" in disposing of the milk. The milk is from cows that ate grass contaminated by fallout from the Chernobyl nuclear accident.

According to Bremen health officials, samples of the milk had radiation levels of nearly 6,000 becquerels per kilogram when tested. European Community rules permit a maximum radiation level of 370 becquerels per kilogram in milk and dairy products for human consumption. The bequerel is a standard measure of radioactivity.

A squabble developed among several West German states last week after Bremen and Cologne refused to release the milk for export, and officials in Bavaria, where the milk came from, refused to take it back.

The powdered milk in Bremen is owned by a company named Lopex Export. The owner of the milk in Cologne has not been identified. Tests of the powder in Cologne showed radiation levels of about 2,400 becquerels, the police said.

The milk began its trip in a freight yard in the Bavarian town of Rosenheim, where it was stored six months ago after Bavarian health officials deemed it unfit for animal or human consumption.

Bremen and Cologne have demanded that the milk be taken back to Bavaria. But Bavaria has refused, arguing that it could be mixed with animal feeds and safely sold for consumption by livestock.

## U.S., Soviet to Discuss Treaty Limits On Developing Defensive Systems

By Michael R. Gordon  
New York Times Service

WASHINGTON — American and Soviet negotiators have agreed in Geneva to set up a special working group to discuss what research, development and testing are allowed for defensive systems by the 1972 anti-ballistic missile treaty, administration officials said.

The move by the negotiators has been vigorously opposed by the Defense Department, which has argued that the United States should not take part in such a group.

Richard N. Perle, an assistant secretary of defense, assailed the move to set up the working group in a meeting Thursday, officials said. The session was attended by Max M. Kampelman, the chief American arms negotiator, who has returned from Geneva.

In a related development, Yegor G. Vokhov, a vice president of the Soviet Academy of Sciences, met with Paul H. Nitze, an adviser on arms control issues to Secretary of State George P. Shultz. Soviet and American officials said they had discussed the question of setting up discussions on what kind of

## Yves Allégret, Film Director, Dies

The Associated Press

PARIS — Yves Allégret, 79, a film director and a leading figure in French films, died Saturday, his family said. The cause of death was not announced.

Mr. Allégret learned to direct as an assistant to his brother Marc and to Jean Renoir. As a young man in the 1930s, he was linked to the surrealist and Trotskyist movements.

He directed his first film in 1941 and made light comedies during the war. But his major works were social criticism and came after the liberation of France. Some starred Simone Signoret, whom he married in 1946. The couple divorced, and

Mr. Signoret later married Yves Montand. She died last year.

Among Mr. Allégret's most noted films were "Dédée d'Anvers," "Une Si Jolie Petite Plage" with Gérard Philipe, "La Milleième Part," and "Les Orgueilleux."

Edmond Penelton, 86, Organist and Composer

PARIS (UPI) — Edmond Penelton, 86, an American organist, composer and conductor who had lived in Paris since 1925, died Friday at his home here after a long illness.

A student of Marcel Dupré, Charles Munch and Paul Dukas, Mr. Penelton was for 41 years

organist and director of music at the American Church in Paris.

When the pastors of the church left before the German occupation of Paris in World War II, Mr. Penelton kept the church open as lay reader until he was forced to flee in December 1941 to the south of France.

He was honored with many prizes for his choral compositions, most of them on religious themes. He was also director of the Chœur Philharmonique de Paris for 25 years, professor of music at the American College in Paris for 15 years, and for 20 years, music critic of the Paris edition of the New York Herald Tribune.

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مكتبة الامم المتحدة



## Senators, Witness Clash on U.S. Drug Plan

By Bernard Weinraub

New York Times Service

WASHINGTON — In an unusual display of frustration and abandonment of decorum, two senators shouted down a Reagan administration spokesman at a hearing and attacked proposed cuts in anti-narcotics programs.

Because President Ronald Reagan and his wife, Nancy, have termed efforts to fight narcotics a major priority, the administration's proposed budget cuts involving enforcement and education have come under special criticism within Congress.

However, the hearing Thursday of the Senate Appropriations Committee's Subcommittee on Labor, Health and Human Services and Education was marked by the most vocal attacks yet.

Senator Alfonse M. D'Amato, Republican of New York, told the administration witness, John Walters, "For God's sake, get in the real world!"

Senator Lawton Chiles, Democrat of Florida, who is normally low-keyed, grew red-faced when Mr. Walters defended the adminis-



**'You've got a national epidemic that is killing our youngsters, and I don't think that you have the slightest idea that it is taking place.'**

— Alfonse M. D'Amato, senator from New York

tration's proposal to cut the funds for narcotics education in 1988, by one-half, to \$100 million. Congress appropriated \$200 million for the effort in the 1987 fiscal year.

"Is that all the hell that needs to be spent?" asked Senator Chiles, the chairman of the appropriations panel that deals with narcotics pre-

vention and education. "You don't care. You don't give a rip. You don't think we count. Have you ever read the Constitution? You don't think Congress exists."

A moment later, Mr. Walters, a special assistant to Secretary of Education William J. Bennett, expressed his own anger, asking:

"Why not spend \$400 million? Why not \$600 million?"

Senator D'Amato responded, "Don't tempt us."

He went on: "You've got a national epidemic that is killing our youngsters, and I don't think that you have the slightest idea that it is taking place. You know what this does? It sends the wrong message. It sends the message that we're not dealing seriously with this, that we're not acknowledging the problem. We ought to be ashamed of ourselves."

The administration has proposed \$913 million in cuts in the 1988 budget for all law enforcement, prevention, education and treatment programs involving drugs. The administration's anti-drug efforts over a period of several years originally called for more than \$3 billion.

Administration officials have defended the cut in funds for education, saying that the \$200 million for 1987 was used for "start-up activities" such as the purchase of materials. They said these would not have to be provided in later years.

## U.S. Agencies Push Contra Inquiries As Reagan Urges New Aid for Rebels

By Philip Shenon

New York Times Service

WASHINGTON — Several federal agencies are pressing on with at least seven criminal investigations of the Nicaraguan rebels and their American backers, even as President Ronald Reagan is urging Congress to provide new aid for the contras.

A review of the investigations has uncovered several previously undisclosed — and so far unproved — charges involving the contras as well as investigations that had not been previously known.

For example, congressional sources disclosed in recent days that the Federal Bureau of Investigation had opened a criminal investigation to determine what happened to most of the \$27 million for nonlethal supplies for the rebels that Congress approved in 1985. A General Accounting Office report published earlier said most of it could not be traced.

Investigators also disclosed in the past several days that the GAO had begun a separate inquiry into the whereabouts of millions of dollars that apparently were supposed to be funneled to the contras from the sale of U.S. weapons to Iran.

Other open investigations, most of them previously known, focus on charges that the rebels or their

backers smuggled arms, trafficked in drugs, laundered money or violated the Neutrality Act, which bars Americans from involvement in military efforts against countries not at war with the United States.

In addition to these inquiries, a special prosecutor and two congressional committees examining the Iran-contra affair are investigating charges of illegality tied to the rebels.

The investigations pose a dilemma for the Reagan administration. As it pushes for additional support for the contras, the administration also is compelled by statute to investigate reports that the rebels might have broken the law. The administration is asking Congress for \$105 million in aid for the rebels for the 1988 fiscal year, which begins in October.

Investigators say Mr. Reagan's outspoken public support for the contras has made it difficult for prosecutors and other federal agents to carry out their work. Law enforcement officials have repeatedly denied accusations that, because of administration pressure, their inquiries were unnecessarily slow or incomplete.

The investigations are being conducted by a variety of agencies, including the Justice Department, the Federal Bureau of Investigation, the Customs Service, and the General Accounting Office.

Some of the investigations may be turned over to the special prosecutor in the Iran-contra case, Lawrence E. Walsh. In announcing his appointment as independent counsel, a three-judge panel asked Mr. Walsh to investigate the sale of weapons to Iran and reports by the White House that millions of dollars from the sales had been diverted to the contras.

These are the federal investigations known to involve the contras or their supporters:

• An investigation by the U.S. attorney in Miami of charges that weapons were smuggled to the contras from a Florida airport in 1985.

• An investigation by the same office of a Miami-based cargo carrier that has been involved both in the Iran arms sales and the secret efforts to supply the rebels.

• A criminal investigation of what happened to the \$27 million Congress granted to the rebels in 1985.

• A federal investigation of charges that the Americans taking arms to the rebels also smuggled drugs.

• An FBI investigation of a burglary at the offices of a group that has opposed the administration's policies in Central America.

## White House Presses Plan On Arms Sale

By David B. Ottaway

Washington Post Service

WASHINGTON — The Reagan administration has notified Congress that it intends to sell \$2.2 billion worth of arms to Saudi Arabia, Egypt and Bahrain this year, according to Defense and State Department officials.

The sales are the first in a series the administration is expected to propose over the coming months for moderate Arab nations shaken by recent disclosures of secret U.S. arms sales to Iran.

Also under consideration, according to pro-Israel sources, is a proposal to provide Jordan with equipment to convert its fixed improved Hawk anti-aircraft missiles into mobile units, and the sale to Saudi Arabia of helicopters and electronic countermeasure equipment for its U.S.-built F-15 jets.

These sources said the administration has begun informal consultations with key congressional committees on the potential reaction in Congress to the sales, which pro-Israel congressmen have strongly opposed.

A State Department official confirmed that a proposal to sell Saudi Arabia 28 Sikorsky Blackhawk and Bell 406 helicopters was expected shortly and that the department has sounded out some congressional committees on the possible sale of electronic countermeasure equipment to that nation.

The formal notifications made Tuesday to Congress stipulate the sale of 40 F-16C and F-16D aircraft to Egypt at a cost of \$1.3 billion and 12 F-16s to Bahrain for \$400 million.

Last week, Congress was notified that the administration also planned to sell 200 Bradley Fighting Vehicles, an armored personnel carrier, worth \$500 million to Saudi Arabia.

It is the first time the United States has sold F-16s to Bahrain or Bradley Fighting Vehicles outside the U.S. military. The price of \$2.5 million per unit that the Saudis will be paying for the Bradley vehicles appears extremely high compared with the \$1.3 million to \$1.8 million the U.S. Army is normally charged.

The sales to Egypt and Bahrain come under the Foreign Military Sales Program and require 20 days of informal notification, and 30 days of formal notification to Congress, which would have to pass a joint resolution of disapproval to block the sales. The Bradley vehicles for Saudi Arabia, however, are a straight commercial sale requiring formal notification only.



**RETURN FIRE** — Jim Wright of Texas, speaker of the House of Representatives, prepares to fire back at a journalist who scored a hit with a snowball as he and other congressional leaders left the White House after meeting President Ronald Reagan.

## U.S. Court Bars Biography of J.D. Salinger

By Arnold H. Lubasch

New York Times Service

NEW YORK — A U.S. appeals court in Manhattan has blocked publication of a biography of J.D. Salinger, saying the book unfairly used the writer's unpublished letters.

Reversing a lower court decision, the appeals court ruled in favor of Mr. Salinger, who filed suit to prohibit the biography from using any material from the letters, which he wrote many years ago.

"We're delighted," said R. Andrew Boose, the attorney for Mr. Salinger. "We've told him of the decision, and he is also delighted."

The disputed biography, "J.D. Salinger: A Writing Life" by Ian Hamilton, was to be published last year by Random House, but it was held up by the unusual case.

A Random House spokesman said after the ruling Thursday, "We are not going to be able to comment until we've had a chance to study the opinion." The only further legal appeal for the publishing house is in the Supreme Court of the United States.

In its 24-page decision, the U.S. Court of Appeals for the 2d Circuit said the case focused on "whether the biography of a renowned author has made 'fair use' of his subject's unpublished letters."

According to legal scholars, the "fair use" standard is vague and open to wide interpretation.

Legal opinion on the appeal court's ruling was varied. Charles Rembar, a constitutional lawyer,

had not seen the opinion. But from the language the court used in announcing the decision, he said, "then the conclusion is inescapable — the judgment had to follow, as the night the day."

But Floyd Abrams, another lawyer, expressed reservations. "It seems to me a deeply troubling limitation on the ability of a publisher to print a significant book," he said, "and of the public to learn about one of the most fascinating and important writers of our time."

Mr. Salinger wrote the letters to his friend and editor, Whit Burnett, and to several other people, including Ernest Hemingway.

The biography, the appeals court said, "copies virtually all of the most interesting passages of the letters, including several highly expressive insights about writing and literary criticism."

In a footnote, the court's decision cited a letter in which Mr. Salinger complained about an editor who praised one of his stories while rejecting it. "Like saying," he wrote, "she's a beautiful girl, except for her face."

Another letter criticized Wendell L. Willkie, the 1940 presidential candidate, saying, "He looks to me like a guy who makes his wife keep a scrapbook for him."

The decision included another footnote referring to a 1943 letter in which Salinger, distressed that Oona O'Neill, whom he had dated, had married Charlie Chaplin, expressed his disapproval of the marriage in this satirical invention of his imagination:

"I can see them at home evenings. Chaplin squatting grey and nude, atop his chiffronier, swinging his thyroid around his head by his bamboo cane, like a dead rat. Oona in an aquamarine gown, applauding madly from the bathroom."

"I'm facetious," the letter added, "but I'm sorry for anyone with a profile as young and lovely as Oona's."

In reversing a ruling issued on Nov. 5 in U.S. District Court in Manhattan, the appeals court declared Thursday that the biography could not be published in its present form.

"The plaintiff J.D. Salinger," the appeals court noted, "is a highly regarded American novelist and short-story writer, best known for his novel 'The Catcher in the Rye.' He has not published since 1965 and has chosen to shun all publicity and inquiry concerning his private life."

"The defendant Ian Hamilton is a well respected writer on literary topics," it continued. "He serves as literary critic of The London Sunday Times and has authored a biography of the poet Robert Lowell."

Mr. Hamilton, who wrote the biography despite Mr. Salinger's refusal to cooperate with him, made use of the unpublished Salinger letters, which were written between 1939 and 1961. The recipients or their representatives donated the letters to university libraries, where they were discovered by Mr. Hamilton.

When Mr. Salinger, 68, learned that the letters were being used in

## Reagan Presents Medal To Speaker on Departure

United Press International

WASHINGTON — President Ronald Reagan awarded his departing chief spokesman, Larry Speakes, the Presidential Citizens Medal on Friday in recognition of his having "faithfully served the cause of truth."

Mr. Speakes has resigned to take a job paying an estimated \$250,000 a year as chief of communications for Merrill Lynch Co. He held the White House post for almost six years and gave 2,000 daily news briefings.

## AMERICAN TOPICS

### Regional Orchestras Playing the Blues

More U.S. symphony orchestras are in trouble than at any time since the Depression of the 1930s, afflicted with strikes and lockouts, struggling to raise money and in some cases canceling seasons and even, in the case of the Oakland Symphony in California, going bankrupt. The smaller regional orchestras are chiefly affected.

The New York Times said orchestra officials and union negotiators cite a tough new climate in labor negotiations generally, greater difficulty in fund-raising caused in part by government and foundation cutbacks, and overly rapid growth in middle-level orchestras. The 16 U.S. regional orchestras in 1975 had grown to 39 a decade later.

The rash of corporate takeovers has hurt. Catherine French, chief executive of the American Symphony Orchestra League, says, "If one corporation takes over another, their two charitable giving components become one charitable giving component, and one plus one does not equal two."

Some experts worry that the declining level of arts education will erode interest in symphonic music. Others are concerned that an increased sophistication born of recordings has led to demands for a level of performance that small communities cannot afford.

### Short Takes

Paul G. Kirk Jr., chairman of the Democratic National Committee, moved a February meeting of the party finance council from Tucson, Arizona, to Newport Beach, California, to protest the cancellation of Arizona's observance of the Martin Luther King holiday on Jan. 19 by Governor Evan Mecham, a Republican.

"The Democratic party is taking a stand against injustice," Mr. Kirk said. But Arizona Democrats were not pleased. Representative Morris K. Udall called the switch an "overreaction." Sam Goddard, state Democratic chairman, said that in opposing the governor's stand, "we need support from the national party; instead it is interfering."

A mural will be painted soon in the U.S. Capitol building to honor the seven astronauts of the space shuttle Challenger who were killed when the shuttle exploded a year ago. The mural was jointly proposed by Senators Robert C. Byrd of West Virginia, leader of the Democratic majority, and Bob Dole of Kansas, leader of the Republican minority.

Exactly half the offenders were known to their victims in 20 million cases of rape, robbery and



Members of the symphony orchestra in Columbus, Ohio, manning the picket line.

assault recorded from 1982 through 1984, the U.S. Justice Department says: 46 percent of the crimes were committed by total strangers, 31 percent by friends and acquaintances, 8 percent by relatives and 11 percent by persons known to the victims on sight. The remaining 4 percent could not be classified.

The American Civil Liberties Union is running a petition campaign for the removal of Attorney General Edwin Meese 3d from office, accusing him of "attacks on freedom of speech" and "failure to enforce the civil rights laws."

Ari Koppivaara, the chief ACLU spokesman, told The New York Times that the response has been enthusiastic: About four

percent of the people contacted by mail had signed, or significantly more than the less than one percent who respond to similar mailings.

Shorter Takes: "The intelligence process is often like a jigsaw puzzle," observes William E. Colby, former director of the Central Intelligence Agency. "That is, the picture becomes clear long before the last piece is in."

From the police log of the Winchester Star in Massachusetts, as reported in Road & Track magazine: "A Cross Street resident reported her own car as a suspicious vehicle parked in the driveway."

—ARTHUR HIGBEE

## Charles Wolcott Dies; Baha'i Leader and Musician

The Associated Press

HAIFA, Israel — Charles Frederick Wolcott, 80, a leader of the Baha'i religion and a former music arranger, died Wednesday of natural causes.

Mr. Wolcott was a music arranger for Walt Disney Studios between 1934 and 1944, and had worked with a number of jazz musicians, including Tommy Dorsey and Benny Goodman. He arranged "Rock

Around the Clock," one of the first rock 'n' roll hits.

He joined the Baha'is in 1938 and served on its National American Spiritual Assembly from 1955 and 1961.

In 1961, he was elected one of the nine members of the international assembly and later became secretary-general of the Universal House of Justice, the governing body of the Baha'is faith.

### Other deaths:

Vincent R. Impellitteri, 86, who defied New York's Democratic machine of Tammany Hall and was elected mayor as an independent in 1950, of heart failure Thursday in Bridgeport, Connecticut.

Josep Fobes, 94, a Catalan poet, Thursday of a heart attack in Barcelona, Spain. Many of his works were translated into Spanish, French and Italian.

Charles DeBenedetti, 44, a professor of history at the University of Toledo and expert on U.S. diplomacy and the American peace movement during the Vietnam War, Tuesday of a brain tumor in Toledo, Ohio.

Ralph Faulkner, 95, who taught swordplay to movie actors, including Errol Flynn and Douglas Fairbanks Jr., Wednesday in Burbank, California.

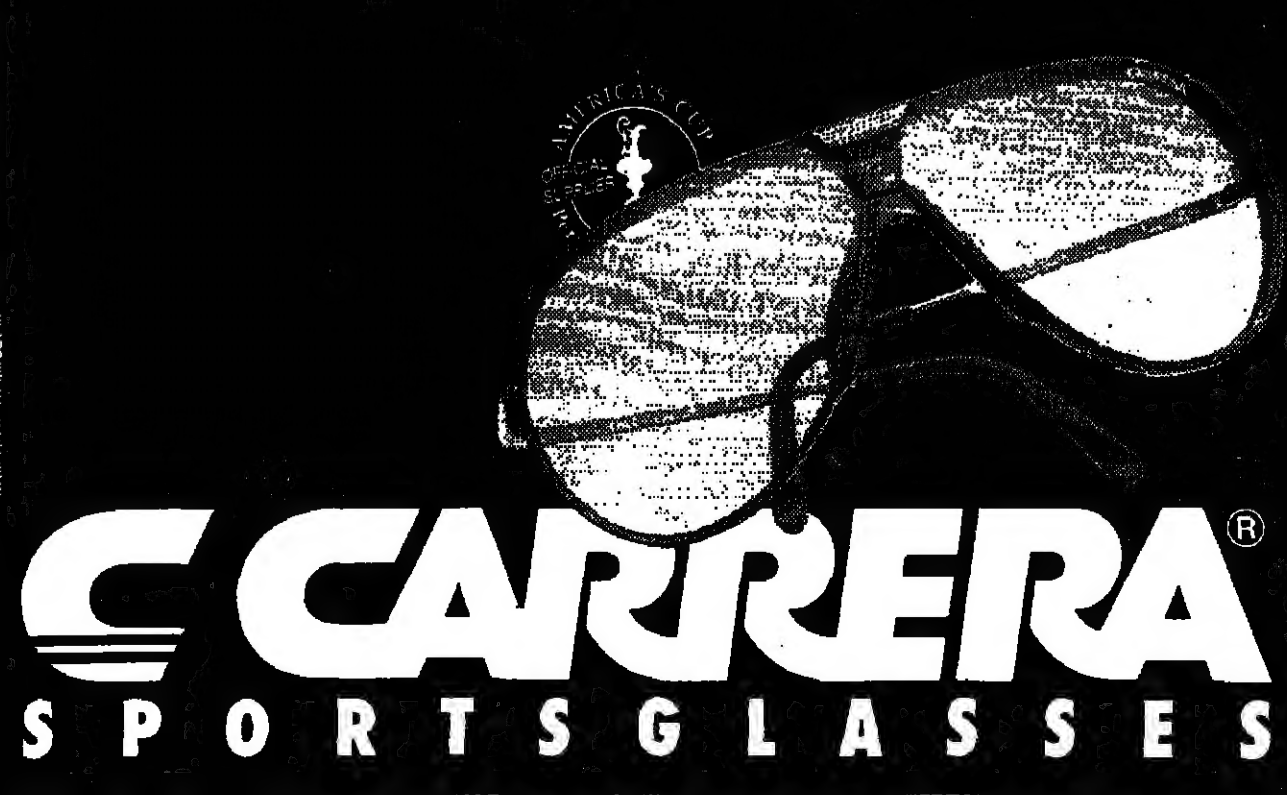
## SEEMILES AHEAD

CARRERA and the America's Cup. A winning combination.



At the America's Cup.

the world's most prestigious sailing event, the participants have only two things in sight — CARRERA sunglasses and victory. As official supplier to this international open sea regatta, CARRERA with its Sun Protection System, C 60 for moderate protection; C 80 for strong protection; and C 100 for extreme protection; guarantees perfect vision in all light conditions.





# INTERNATIONAL Herald Tribune

Published With The New York Times and The Washington Post

## Reagan's Other Script

The president had two scripts for his State of the Union Message on Tuesday night — and delivered the wrong one. The speech he delivered in person followed with style and energy, spelling out how to rebuild America's competitive pre-eminence.

Three aspects of this program, particularly, deserve study and may well merit support: creating new flexibility in matching jobs and workers, stimulating invention and application and opening American and foreign markets to increase trade and growth. There remains, alas, a fourth, more important aspect, about which the president's written message is as dismally inadequate as his spoken address. He still offers no plausible attack on the federal budget deficit, just gimmicks like line-item veto power and a balanced budget amendment.

The challenge for Congress is thus considerable. It can, working with the administration, flesh out the first three parts. It is far less likely that Congress, given such a limp Reagan role, can overcome the deficit.

"Competitiveness" has become the slogan of the season. The truism endures for a good reason: It is true. American concerns arise from vigorous foreign competition; these concerns explain the pressure for import restrictions that supposedly would help U.S. industry get even. Mr. Reagan cited this danger in his economic report Thursday: "Protectionism is anti-growth. It would make us less competitive, not more."

A sound route to competitiveness is to put more Americans to work, and the president offers a sensible concept. The government's approach to unemployment has been piecemeal — one program for workers who lose jobs when business slackens, another for layoffs because of foreign competition, still others for those who lack job skills. Mr. Reagan's proposal abandons such distinctions and concentrates on education and training for employable skills.

A second part of the program would encourage research and innovation, long "the envy of the world and a critical source of our national strength." But other nations are catching up. The president would double the budget of the National Science Foundation over five years and create science and technology centers.

The ultimate test of competitiveness, Mr. Reagan says, is success or failure in the international marketplace. His unassailable aim is to negotiate lower trade barriers worldwide and a one-on-one "free trade" agreement with Canada. It will not be easy to get Congress to go along. Mr. Reagan is himself to blame for the government's overriding failure to shape a hospitable environment for international trade. He now acknowledges that budget deficits create the imbalance that make America less competitive. Yet he still seems to think that this problem can be solved with spending cuts.

There is no imaginable way to save \$173 billion, this year's deficit, out of the \$500 billion in nonmilitary spending. Which parts does the president propose closing? Which airport towers? Which coast guardmen should be laid off? Which airlines?

Oratory about striving for excellence counts for nothing without a willingness to make hard choices among guns, butter and borrowing. Competitiveness and the trade deficit turn on Mr. Reagan's own deficit — of leadership.

— THE NEW YORK TIMES.

## Reaching Out to the ANC

The Reagan administration has come under heavy fire from the American right for extending its constructive engagement policy from the white South African government to the black nationalist resistance organization, the African National Congress. Even among those who accept the administration's new turn, one marked by the reception Wednesday of the ANC leader, Oliver Tambo, by Secretary of State George Shultz, there is pause. It arises in part from the terrorism practiced against civilians by some followers of the ANC and, more, by the lack of full-throated ANC condemnation of "necklacing" and like violence. It also arises from the ANC's links with the South African Communist Party — links that remind many Americans of other occasions when a communist minority rode nationalism to power.

The administration, nonetheless, is right to reach out to the ANC finally at its policy-making level. There are several things of value to the United States to be gained by its doing so. Washington makes contact with an organization whose real legitimacy is already established, and not by any external imprimatur but by its standing with its country's own people. The United States acquires a channel to convey its concerns to the ANC — and there is much that needs to be conveyed, not least American views on peaceful tactics, democracy and an open economy. The United States also becomes able to address all the major South African players and not to be identified any longer as having all or most of its hopes vested in the white minority regime.

In Washington, Mr. Tambo had a large cause to promote — freedom — and a special ax to grind. For him it is not enough for Americans to open up to the ANC. He wants Washington to close down to the rival black South African resistance movement led by the Zulu chief Mangosuthu Buthelezi. The chief's reputation as a moderate favoring multiracial democracy got a major boost recently from a plan he fostered for power-sharing in Natal Province; Mr. Tambo finds flaws in the plan's ethnic aspect. The Tambo-Buthelezi rivalry is a bitter one. But the American interest is to see blacks cooperate with whites, as with whites, in moving toward a negotiated settlement. It would be a mistake for Washington to play politics between blacks.

The Reagan administration arrived at its new stage with the ANC only after six years had passed and its emphasis on winning confidence and concessions from whites had broken down. From dialogue with the ANC, no early political breakthrough can be expected. Still, it is the right way to go.

— THE WASHINGTON POST.

## Infinity on a Child's Coat

Walk out into the snow and, without feeling a crunch under your foot, you will be crushing thousands on thousands of nature's most marvelously varied creations. The snowflake is the product of nothing but water, dust and changing air. Yet from this prosaic mix come structures of intricate design and patterned beauty.

Snowflakes grow in fits and starts as they fall through air of varying warmth and wetness, a life history that has long proved too difficult for physicists to understand. Only recently has nature begun to yield to the computer the mystery of their formation. But it has yielded none of the mystery of their beauty — single-plane six-sided ice crystals in the way scientists label the lovely star-shaped flake.

Soft, surprisingly delicate and sadly mortal, the snowflake can be unyielding and enduring. Its packed masses hampered Alexander's armies as they invaded India and Hannibal's elephants as they reached Rome. The mountains of snow piled on the polar ice caps carry the history of the Earth's ancient weather. Though it falls lightly, the snowflake changes everything. Skiers bless it, suburban shovelers damn it and most people just like to look at it.

No one has ever found two snowflakes exactly alike. Since they have been falling for eons, and cover perhaps half the Earth's land surface every year, some mathematicians insist that there must be duplicates, though the odds of finding any are daunting. Despite this faith in the finiteness of form, the snowflake's permutations seem endless. Some people may search for infinity out beyond the quassars at the imagined edge of the universe. Others may find it while brushing the snow from a child's coat.

— THE NEW YORK TIMES.

## Other Comment

### On Trade, a Welcome Truce

Representatives of the European Community have endorsed a draft agreement designed to avoid, for the moment at least, the threat of a debilitating trade war between America and Europe, sparked by the accession of Spain and Portugal to the EC. The agreement, arrived at after a frantic series of negotiations, has been greeted with great relief. Although far from ideal, [it] is a necessary short-term expedient. But the new agreement has merely dealt with the symptoms of agricultural trade friction in the Atlantic community.

Neither the United States nor the EC has marshaled the political will to make any serious attempt to grapple with its fundamental causes. Both need to reduce their burgeoning agricultural surpluses rather than inventing strategies to dispose of them in a shrinking global market for agricultural produce. It is now incumbent on both

Washington and Brussels to begin dismantling their vast agricultural subsidy programs, which brought us to the edge of the precipice in the first place.

— The Times (London).

### Gorbachev's 'Daring Concept'

The differences between what Deng Xiaoping is doing and the policies pursued by [Mikhail] Gorbachev are striking. The Chinese are already dealing with such concepts as stock markets. Major foreign investments are contemplated. Private businesses are sprouting. Mr. Gorbachev is still dealing with the daring concept of whether votes in the Communist Party may be cast in secret. The general secretary did float the idea of a nationwide conference of the Soviet party; the last was in 1941. Mr. Deng would be a whale of a keynote speaker.

— The Wall Street Journal (New York).

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## OPINION



## Competition Is Gorbachev's Goal — Not Democracy

By William Pfaff

PARIS — It is deeply misleading to speak of Mikhail Gorbachev's proposals Tuesday to the Communist Party's Central Committee plenum as implying "democratization" of the Soviet system. Democracy is a word drawn from the Greek roots for "people" and "rule," and what Mr. Gorbachev is proposing has nothing to do with popular rule. He wants meritocracy, not democracy. His proposals would make promotion within the oligarchy that rules the country more competitive, with several people competing for a promotion rather than one being named arbitrarily from above. He wants men and women of demonstrated quality in leadership posts. To accomplish this by competition and secret votes inside party and state organs will require a radical break with Soviet practice established since the late 1920s. It is, for the U.S.S.R., eminently desirable. But let us understand what we are talking about, which is not democracy.

We talk about democratization because it is conventional to describe the Soviet-Western difference as that between totalitarianism and democracy; hence, any movement inside the one must be toward the opposite. It is also conventional to ask if communism can change at all without ceasing to be communism. As the Financial Times wrote last week, "There really is no halfway house in freedom of political choice." The London newspaper cited the case of Hungary, where a system of multi-candidate Communist Party elections already exists and has made no real difference in how Hungary is governed.

But the Soviet Union is not Hungary. Nothing basic has changed in Hungary, because Hungary is not fully sovereign. It is under Soviet military occupation. Hungary would not today have a Communist government if it were sovereign.

The Soviet Union is sovereign. It can do what it

chooses. The constraints on Mr. Gorbachev are internal ones. They are those imposed by the Communist leadership's own system of belief, the doctrine from which it draws its legitimacy. They are the limits imposed by the nation's own historical nature and capacity for change. It is no accident that political life under communism in Russia has in several important respects resembled political life in czarist Russia.

And communism does change. Soviet communism has changed in major ways, as have Chinese communism and West European communism. It is the nature of political systems to change. Our view of communism has been heavily influenced by the idea, developed after World War II, of totalitarianism as a new form of political society, naturally expansionist, and unchangeable. Our idea of totalitarianism was greatly influenced by Aldous Huxley's dystopian novel, "Brave New World," and was given new fictional form in George Orwell's "1984," published in 1949, just as Stalinist terror was taking Eastern Europe into its grip.

The idea of totalitarianism fit what Nazism had been, and it accurately described what Stalinism then was, but it did not describe what the Soviet Union later became. By the year 1984, the Soviet Union was no quasi-omnipotent despotism, but had, under Brezhnev, gone into a near-terminal state of ideological and bureaucratic senility.

Totalitarianism as we thought of it in the '40s — as a system of totally concentrated power, making total claim on a people's moral existence and material lives — has proven to be a phase, a deadly one, in the evolution of several modern ideological dictatorships, Nazism and Stalinism, and also

Mao's China, and the Khmer Rouge in Cambodia. In each case it has failed to sustain itself. However awful the world has been since the late 1940s, it is less totalitarian now than it was. The Soviet Union under Mr. Gorbachev cannot seriously be compared with what it was under Stalin.

But why do we expect Mr. Gorbachev to try to take his nation toward democracy? It has never been a democratic society. The Soviet elite holds Western democracy a corrupt disguise for class exploitation. Mr. Gorbachev wants realism and reason. He wants greater debate within the party and in public, competitive choice of certain leaders, a more open intellectual atmosphere, a restoration of serious standards in public life.

"We are talking about a turning point and measures of a revolutionary character," Mr. Gorbachev says. "We simply do not have any other choice. We must not retreat and do not have anywhere to retreat to." Those are the words of a realist. It has been a long time since realism, moral realism, has marked what Soviet leaders said.

Both the Soviet Union and the Western powers have for the last 45 years lived by national agendas imposed by a sterile ideological rivalry, enforced with apocalyptic weapons. None has been the better for it. This rivalry has blocked the creative solution of all too many problems. East and West. The U.S.S.R. is not the only nation that has suffered corruption of "the national morality."

In the haunting phrase of the modern Greek poet Constantine Cavafy, we have found "a kind of solution" in preparing for the threat that barbarians will come. What, then, if a messenger arrives to say there are no barbarians? What becomes of us then? It is not easy to give an answer.

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## In South Africa, Hope Lies in Democratic Change

By Paul N. Mailherbe

CAPE TOWN — Anyone who believes peaceful change in South Africa can come through the Nationalist government simply does not understand just how committed it is to holding on to permanent white hegemony, or overlordship. It is time to recognize that any policy directed at persuasion of the present government, whether by carrot or stick, will run into the same obstacles encountered in attempts to persuade the Smith government in Rhodesia, which succumbed only after 15 years of isolation and 20,000 deaths in the bush war — a toll that in South Africa could be 10 times greater.

What is often overlooked is that South Africa is a parliamentary democracy, albeit one in which full citizenship rights are limited to the whites. Properly managed elections are held regularly, and white voters are free to vote for opposition parties to the right or the left of the present government. Governments have been changed by the ruling party's being voted out of office as well as through realignments in Parliament.

The lack of appreciation of opportunities offered through the country's electoral system must be blamed largely on the official opposition itself: the non-racial Progressive Federal Party, or PFP, which only last year began to address itself to wresting power away from the Nationalists.

Yet now the climate is right as never before for a change of government. A poll in mid-1985 found that 63 percent of the whites do not believe apartheid will last another 10 years. And in a survey published last month in a South African weekly, 42 percent of white voters indicated they favored a non-racial constitutional alternative along the lines advocated by the PFP, while only 27 percent preferred the present government's policy of "power-sharing" within an "ethnically based" constitution.

The Botha government's strength, then, is based largely on voters who

think it is on the wrong track. This represents an opportunity for the PFP. There are three prerequisites for peaceful change in South Africa: We must have black cooperation, we must have white fear, and we must have a change of government.

As to black cooperation, there is hope in the fact that a poll late last year found that three out of four blacks prefer negotiations to violence and want a multiracial rather than an all-black government. It should be recalled that the African National Congress tried persuasion in its early years and resorted to violence only after finding itself exiled and faced with an intransigent government.

But how to ally white fear? For whites to accept total removal of race laws and cast their votes for the party advocating such a program, they must be convinced that the process of change will be handled in a safe and responsible manner. The environment is favorable for winning that trust, for there is great awareness among whites today that the government is standing squarely in the way of improved race relations.

The PFP's starting point would be

would be far less frightening to whites than the immediate implementation of universal suffrage.

The PFP recently has concluded an alliance with the New Republic Party, which has five seats in Parliament. At the same time, the National Party is bound to lose a substantial amount of support to the rightist Conservative Party. The Nationalists could lose their majority, paving the way for a coalition that would start dismantling apartheid in all seriousness.

U.S. influence in this election is important. President Pieter Botha is serious when he says that he will not be swayed by sanctions and disinvestment. That being so, Americans might tell the South African voters what their attitude would be if South Africa were to rid itself of a racist government that is largely immune to influence. The two countries could develop some common ground where little now exists, paving the way not only for the restoration of friendly relations but for the joint commitment to those ideals so highly valued in the United States.

The author, a writer and member of the Progressive Federal Party, contributed this to The Washington Post.

## A Negotiated Solution: The Will Is There

By Robert H. Phinney

PALM SPRINGS, California — The peaceful change away from apartheid that South Africa claims to seek is now seeking South Africa. If the government of President Pieter Botha fails to see the will of the people, both black and white, as recently manifested in a power-sharing proposal for Natal Province, it will be replaced, and rightly so. A successor government would most likely be of the far right or the far left. Neither would bring peace and stability.

Blacks and whites and Asians in Natal, after eight months of often difficult negotiation last year, devised a proposal to increase black self-determination. The agreement provided the different racial groups could arrive at a formula for a political solution. But the proposal was rejected summarily by the South African minister of home affairs, Stoffel Botha, who confirmed in the process the National Party's opposition to power-sharing. His reaction stunned many of those who had labored over the proposal, and called into question the Botha government's sincerity.

The plan advanced by the Natal Province Constitutional Conference provided for a one-man, one-vote system with checks and balances to ensure minorities their rights.

Moderates led by the opposition Progressive Federal Party have long sought change through such political negotiation. The party chairman, Peter Gassow, a representative to the Natal conference, said he feared that rejection of the plan could end all chance of peaceful change.

Moderate South African political leaders said that while the proposed

Natal constitution was unappealing to the far right, meaning the conservative Afrikaners, and unacceptable to the far left (the African National Congress and South African Communist Party), it merited consideration by the other three provinces.

The Natal plan provided for majority rule under a system based on individual equality, with veto power for whites and Asians over legislation affecting their language, religion or culture. It encompassed a bill of rights guaranteeing civil liberties, and ensured minorities of at least three seats in the proposed 11-member provincial cabinet. Thus, white concern about black domination was lessened. This represented a majority of delegates, representing an estimated six million blacks and one million whites in Natal Province, to accept it.

It is projected that in the year 2000 there will be 11 blacks in South Africa for every white, about double the current ratio. Clearly, some accommodation must take place. The proposed Natal constitution, expressing intelligence and good will and showing the way to dissolve misconceptions, could yet be a solution.

But Stoffel Botha, the home affairs minister, has made clear what sort of power-sharing the National Party has in mind. The party insists the most it would agree to is equal "group rights" for whites and blacks. Its position is that no group may be allowed to dominate another. This excludes any one-man, one-vote plan. Power-sharing and the elimination

## No Cheers For Reagan This Time

By David S. Broder

WASHINGTON — The morning after President Reagan's State of the Union address, morale inside the White House and in several cabinet departments was probably at the lowest ebb in six years.

One of the more literary-minded members of the administration described it as "the day the cheering stopped," invoking the title of a classic study of Woodrow Wilson's second term, when the embattled president watched the destruction of his great dream, the League of Nations. Another administration official said he felt touches both of "the final days" of Richard Nixon and the last months of the Ford administration, the sour aftermath of scandal combined with "a sense of profound vacuousness and utter impotence."

These gloomy musings touched even institutionally upbeat parts of the White House. They were occasioned by the realization that, whatever positive signals the speech Tuesday conveyed about the president's health, it really represented a lost opportunity for renewing the vigor of an ailing administration.

Mr. Reagan slumped down from the rostrum of the House chamber to cheers and applause. But the slumped puddle of the speech he delivered left no rallying point for his embattled party on Capitol Hill. Some White House staff members who stayed by their television sets to watch the Democratic response recognized that the opposition party, against historical precedent, has reached near agreement on its agenda and priorities than the rudderless White House has done.

A case in point is the "competitiveness" issue, addressed by Mr. Reagan and by the Democratic spokesman, House Speaker Jim Wright of Texas and Senate Majority Leader Robert Byrd of West Virginia.

Anyone who watched the president's speech may be forgiven for being unaware that he has a strategy to arm the United States for a defense of American jobs and living standards in an increasingly cutthroat international economy. What was to have been a trumpet call commanding to John F. Kennedy's speech launching the moon effort to place a man on the moon, turned into a reminder to the largely because no one in the White House appears capable of orchestrating a major policy initiative.

When the "competitiveness initiative" came out of the cabinet council on economic policy headed by Treasury Secretary James Baker, there were hopes it could be presented as the framework for a broad-ranging attack on laggard productivity, fiscal management, shoddy standards of education and workmanship, and disciplined federal fiscal policies. Designers saw it as the vehicle for assembling a diverse coalition, even in the Democratic Congress, making possible a surprise victory.

They saw it as a way for Mr. Reagan, far from being a wounded lame duck, to finish his presidency on a note of achievement, the archrival of a bold strategy offering the nation a vigorous, healthy economic future.

The opening sentence of that portion of the Reagan speech carried the echo of that original hope. He set as the benchmark the belief that the United States should "enter the next century having achieved a level of excellence unsurpassed in history."

But there were no specifics, and the president descended rapidly to clichés about "an expenditure of American spirit and just plain American grit." Three phrases later he was back to promoting prayer in the schools.

Meantime, the Democrats are moving rapidly to broaden the trade bill crafted in the House last year into a "competitiveness package," offering sufficient bait to a wide range of interest groups and constituencies to assemble what could be a veto-proof majority on the House floor.

Mr. Wright, who wants that victory as a feather in his new speaker's cap, is courting Mr. Byrd in a fashion that surprises many Democrats and alarms some officials in the White House. The desire to enlist Senate support for the trade package is one reason Mr. Wright offered to share his television time Tuesday with the Senate majority leader.

Administration officials now figure they will have to rally nervous and increasingly restive Republican senators as the last line of defense against what they fear will be a protectionist-flavored Democratic trade bill. That is a far cry from putting Mr. Reagan's stamp on a competitiveness program of his design. But it exemplifies the helplessness that is threatening to overwhelm this administration.

The Washington Post.

## IN OUR PAGES, 75 AND 50 YEARS AGO

### 1912: Strike in Lisbon

LISBON — A Council of Ministers was held [on Jan. 30] at the Ministry of War to discuss the situation created by the general strike. It was decided, in order to re-establish order in the streets, that the troops should make raids, arresting people "en masse," and should seize all firearms. The ringleaders have been arrested. Bombs have been thrown at the cavalry and the Republican Guards in Rocio square and in the Alcantara suburb. A state of siege will be declared in Lisbon and reinforcements of troops are arriving. Citizens have been warned not to leave their houses after 8 P.M. The streets of Lisbon are practically deserted of vehicles and electricity works are under the protection of a force of soldiers. Bands of strikers who assembled in the Praça do Comercio were dispersed with difficulty by cavalry.

### 1937: Hitler's Fifth Year

BERLIN — Chancellor Adolf Hitler began his second four-year term [on Jan. 30] by telling the Reichstag, the German nation, and the world that "the era of so-called surprises" — those periodic dramatic steps taken by the Führer which have shaken the structure of European peace — is now ended. "As a state now enjoying equal rights with other states and conscious of her European obligations, Germany," he said, "will cooperate loyally in a solution of the problems affecting us and other nations." He replied to the recent appeal of Foreign Secretary Anthony Eden by a statement in principle of his preparedness to collaborate, pointing to the Bolshevik scare, by criticism of the League of Nations, by defense of the Nazi blood and race thesis as one which will bring about "a revolution in knowledge and in the conception of history."



## Student Protest Closes University in Mexico; Spread of Unrest Feared

By William A. Orme Jr.  
Washington Post Service

MEXICO CITY — Mexico's strongest student protest movement in almost two decades has shut down the huge National Autonomous University in a strike that the authorities fear could stir wider unrest.

Moments after midnight Thursday, leaders of the university's student council draped red-and-black strike banners on school installations, beginning a closure that some said could last for months.

Condemning the student action, the university's administrator, Mario Ruiz Massieu, said the students could cause "irreversible damage to their school and their country."

Leaders of the government-affiliated Labor Congress warned that the strike could "detonate" wider social and economic conflicts and urged a prompt settlement. Scattered independent unions and dozens of student organizations have declared support for the students' defiance of university administrators, who are closely identified with the governing Institutional Revolutionary Party.

The strike comes after weeks of student agitation against more

stringent admission and examination standards and higher fees, changes the students assailed as "elitist."

But the movement has grown into a broader protest against the management of a school the students say has become gigantic, impersonal and overloaded with bureaucracy. With 340,000 students, including about 150,000 in university-chartered secondary schools, the university has more than tripled in size since its last upsurge of student activism in 1968.

The university's budget, meanwhile, has steadily declined in recent years, a victim of Mexico's economic crisis. A disproportionate share of these shrinking resources, students and many professors contended, goes to the nearly 25,000-member administrative staff.

The campus is dominated by a library, covered with murals, that is a landmark of modern Mexican architecture. The boldly decorated building has become a symbol of the school's deterioration: Unable to support the weight of the books within it, the library is now closed and there is no money for repairs.

Students swap tales of classes without teachers, courses without textbooks, and critical test results irretrievably lost in a labyrinth of university offices.

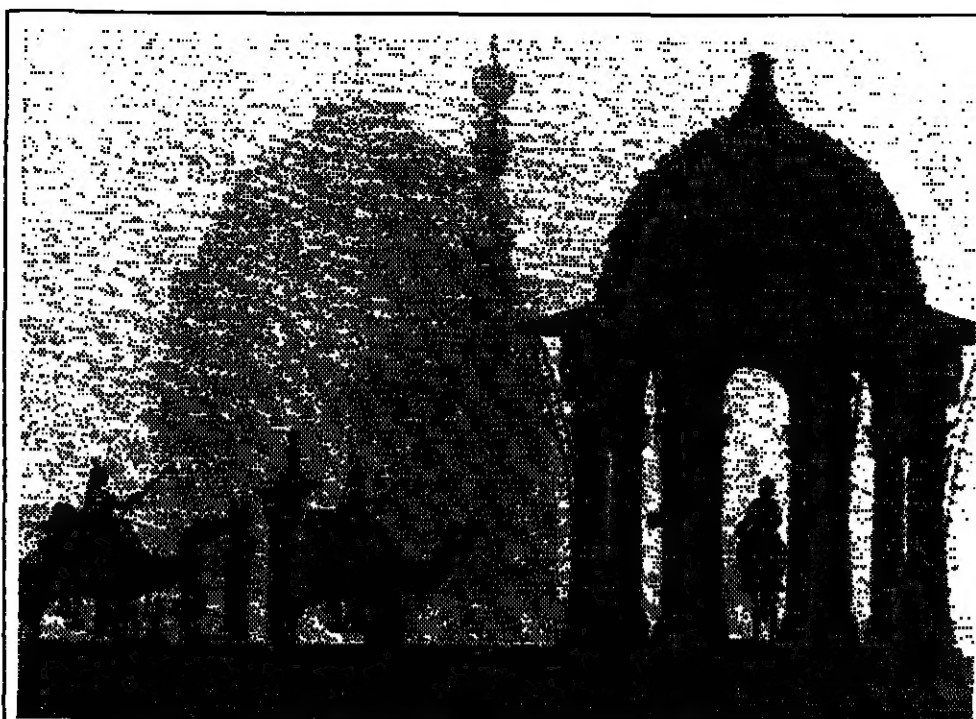
"A strike is a last resort, but they left us no alternative," said one student. "If the students didn't strike, they would never take us seriously again."

Officials of the governing party were especially anxious to avert the strike because of concern for repercussions on the 1988 presidential race. Several cabinet ministers who are considered potential presidential candidates could be hurt politically by an extended disruption at the university.

Within the university, other students resisted the strike movement, apparently leading administrators to conclude that student council leaders represented only a radical minority.

But on Jan. 21 an estimated 200,000 student protesters filled Mexico City's vast central plaza, a turnout that stunned the authorities. It was by far the largest student rally since the 1968 movement ended by the killing of several hundred anti-government demonstrators.

Talks between student and administration representatives broke down in their 10th session Wednesday. The students demanded a new university congress that would govern through elected representatives of students, teachers, maintenance workers and administrators.



A RITUAL RETURN — Troops of the Ganga Risala Camel Cavalry silhouetted against the Presidential Palace in New Delhi during the annual beating of retreat.

## IRAN: U.S. Officials Deceived Each Other, Report Says

(Continued from Page 1)

told Attorney General Edwin Meese 3d that every time he mentioned moderates in Iran to the president, Mr. Reagan returned to the issue of releasing the hostages. "With the president, said North, it always came back to hostages."

The report says that the president made a strategic relationship, because the president wanted the hostages.

The report includes these examples, among others, indicating that administration officials deceived each other and members of Congress.

Robert C. McFarlane, Mr. Reagan's former national security adviser, testified that he had specifically asked William J. Casey, the director of the Central Intelligence Agency, whether Iran was secretly shipping arms to Iran in 1985. Mr. Casey, according to the testimony, told Mr. McFarlane that the Israelis were not shipping arms, even though the CIA had evidence of the shipments.

Elliot Abrams, assistant secretary of state for inter-American affairs, told the intelligence committee in November that money had not been solicited from foreign countries to aid the Contras. The Nicaraguan rebels are called. Later, according to the report, Mr. Abrams apologized to the committee for withholding the fact that such solicitations were made, including one he made to the state of Brazil.

Mr. Casey did not tell the committee in November that funds from the sale of arms to Iran had

been diverted to aid the Contras, although at the time he had information indicating that was being done.

At a news conference, Mr. Boren said the committee had developed "no direct evidence that would state the president knew of the diversion of funds or directed the diversion of funds."

Mr. Boren said one of the main questions to be answered by the new investigative committee that are taking over the work the intelligence committee started was "the role private individuals may have played in the implementation of foreign policy."

The intelligence committee found, for example, that Albert Hakim, an American businessman who was born in Iran, helped open a new channel of communication to Iranian officials. Mr. Hakim also suggested in early 1986, it said, that Iranians should pay inflated prices for the arms so the profits could be used for the Contras.

The committee was not able to determine, however, whether the Contras ever received any money from the arms deals.

Mr. Boren said the committee had been unable to trace clearly how much money was raised from the arms sales or how the money was spent. But the report contained indications that the arms were vastly overpriced and that some of the money was paid to arms dealers and to an Israeli government official.

Reagan Is Satisfied

Mr. Reagan's chief spokesman said Friday that the president was pleased with the Senate panel's re-

port, United Press International reported from Washington.

The spokesman, Larry Speakes, said: "The president is pleased that the first report on the Iran matter is out and that it confirms his position that he neither authorized nor was aware of the alleged transfer of funds to the Contras."

The report, he said, "is consistent with the president's position that, from its inception, the Iran initiative was an effort to open a dialogue with top officials of a strategically important country."

"In implementing this policy," the spokesman continued, "the release of hostages was an important preliminary step intended to show that the Iranians would no longer support terrorism, and the sale of arms was a gesture of good faith on the part of the United States in pursuing this strategic opening."

Reagan Is Urged to Resign

Mr. Boren said Friday that Donald T. Regan, the White House chief of staff, should resign because of the way he exercised his powers of controlling access to Mr. Reagan, United Press International reported.

Mr. Boren said that evidence obtained by the committee showed that at times Mr. Regan gave low-level officials access to the president while "foreclosing" foreign policy experts, including Secretary of State George P. Shultz, from seeing Mr. Reagan.

"I would hope that Mr. Regan would understand that in the interests of the country it would be best for him to step down," Mr. Boren said.

## U.S. AIDS Drug Effort Assailed

\$100 Million Program Crippled by Delays, Critics Say

By Robert Steinbrook  
Los Angeles Times Service

LOS ANGELES — The \$100 million federal program to search for AIDS drugs has made little progress in the seven months since it was established, and the lag has set off growing criticism by some AIDS researchers and homosexual activist groups.

When the program was announced in June, health officials predicted that as many as six experimental drugs would be tested in as many as 1,000 patients within six months. But so far, only 133 patients have been enrolled in two tests of the promising drug zalcitabine, or AZT, at the 19 AIDS Treatment Evaluation units. No other drug trials have begun.

The drugs yet to be tested include ribavirin, which recently has been shown to have early promise against the AIDS virus in infected individuals who have not yet developed severe symptoms, and dideoxycytidine, a drug that has seemed promising in laboratory tests at the National Cancer Institute.

"There is very little going on and what they are doing is peanuts," said Mathilde Krim, the co-chairwoman of the American Foundation for AIDS Research in New York City. She cited a "bureaucratic bottleneck" at the National Institute for Allergy and Infectious Diseases in Bethesda, Maryland, which administers the program. "The whole thing is a mess," she said.

"They are very slow to get started," said Jeffrey Levi, director of the National Gay and Lesbian Task Force in Washington. He said the situation "is inexcusable given the nature of the crisis."

As of Monday, 29,582 Americans had contracted AIDS and 16,847 had died of the disease, which destroys the body's immune system.

The AIDS treatment evaluation units were established at many of the nation's leading academic medical centers to speed the evaluation of drugs that might prove effective against the virus that causes acquired immune deficiency syndrome. The centers are to receive \$700,000 to \$2 million each in federal funds annually for five years to pay for the studies.

In addition to the 3,000 AIDS patients receiving AZT, about 2,000 are being treated with a variety of experimental drugs, according to the American Foundation for AIDS Research.

The drug program's coordinator played down the criticisms, but she and investigators at the treatment evaluation units acknowledged that the program has been plagued by problems.

They said the obstacles include staff shortages and the limited availability of AZT as well as difficulties coordinating the activities of researchers and creating a massive organization from scratch.

"It is easy to be critical but we have been extremely productive," said Maureen Myers, the official at the National Institute for Allergy and Infectious Diseases who has direct responsibility for the treatment evaluation units. Ms. Myers said she has been so busy keeping the program operating on a day-to-day basis that she has not had time to hire sufficient staff members to ease the work crunch.

The organizational problems appear to be continuing. Last week, the program's AIDS Clinical Drug Development Committee adjourned its January meeting without discussing four of the eight experimental drugs on the agenda. This key advisory committee reviews laboratory and preliminary

clinical results and then decides which drugs merit further tests in patients.

"We have waited three months" since submitting the data "for them to say something," said Dr. Arnold Lippa, president of Praxis Pharmaceuticals of Los Angeles, which is developing one of these drugs, AL-721. "We can no longer anticipate any assistance from the federal government and are planning large clinical trials on our own."

Ms. Myers said that centralizing the activities of the original 14 treatment evaluation units and an additional five that were funded in the fall has been a formidable task.

After plans for research studies are drafted, for example, they must be discussed and approved by multiple committees, both in Bethesda and at the individual medical centers. This process can delay the start of a study for months, in comparison to research conducted at only one institution.

## WAITE: Envoy Said to Be Tricked

(Continued from Page 1)

no immediate reports of casualties in the West Beirut explosion.

In East Beirut, a car rigged with TNT was detonated in the fashionable shopping district of Zalka, sending shards of glass flying among shoppers, witnesses said.

[The attack came shortly after President Amin Gemayel, a Christian, returned to Lebanon from an Islamic Conference Organization meeting in Kuwait, United Press International reported.]

[In Kuwait, Mr. Gemayel had his first meeting with President Hafez al-Assad of Syria in more than a year. The two leaders had been at odds because Mr. Gemayel had refused to sign a Syrian-brokered peace pact between Lebanon's warring factions.]

[Christian hard-liners have laid the blame for more than a score of car bombs in Christian East Beirut in the last 18 months on Syrian agents. Damascus has denied any involvement in the attacks.]

In West Beirut, witnesses said an explosion ripped through a restaurant near the Chabla refugee camp. The Palestinian camp has been the scene of four months of fighting between Shiite Muslim gunmen and Palestinian guerrillas.

## BA Finds Crack in 747 Wing

London

British Airways said Friday it had grounded a 15-year-old Boeing 747 after a hairline crack was found in a wing spar that helps hold the wing to the fuselage.

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## Satellite Begins U.K. Broadcasts To European TV

Reuters

LONDON — A British satellite television channel for Europe, Super Channel, went on the air Friday night with a potential audience of six million households in 14 countries.

It will provide a 24-hour English-language service using programs from the British Broadcasting Corp., Independent Television and the Virgin Group.

Viewers of the pay-TV channel are connected to a cable television network or equipped with a satellite receiver dish.

Independent Television said that 10 hours of pop music were planned each day and most of the rest would be devoted to documentaries, game shows, soap operas and news.

The channel will compete with Britain's Sky Channel, which is owned by the newspaper tycoon Rupert Murdoch.

## ENVOY: South African Ambassador to London Quits, May Run in Election

(Continued from Page 1)

ty, which holds 17 seats, are the main parties in opposition to the National Party.

The Cape Times said Mr. Worral was considering running for Parliament in one of two districts now represented by two powerful old-guard cabinet ministers. They are Chris Heunis, minister of constitutional development and planning, and Stoffel Botha, the home affairs minister.

Such a challenge would be certain to become a bitter and direct conflict between supporters of the Botha government and more liberal opponents.

Last week, a leading reformist member of the National Party in Parliament, Wynand Malan, left the party and said he would run as

an independent in his suburban Johannesburg constituency.

That defection drew widespread publicity as a sign that President Botha was facing a possible rebellion from younger "New Nationalists" who favor moves toward political accommodation with the black majority.

Attack on Sanctions

William Claiborne of The Washington Post reported from Cape Town:

In an address to Parliament, President Botha said Friday that he would reconsider "both the content and direction of our foreign relations" with nations that have supported punitive sanctions.

Mr. Botha said: "No foreign nation, nor the United Nations or any other international organization,

has the slightest right whatsoever to meddle in our domestic affairs."

When asked whether the president meant a severing of diplomatic relations with the United States or other countries supporting sanctions, Mr. Botha's chief spokesman said later that South Africa was merely reassessing the benefits of normal diplomatic relations with countries that have applied pressure on Pretoria to dismantle the system of apartheid.

Stoffel van der Merwe, deputy minister for information, also acknowledged that foreign intervention in South Africa's domestic affairs would be a major issue in the upcoming election.

"I don't think any party would be able to resist bringing foreign interference into the campaign," Mr. van der Merwe said.

Mr. Botha complained that last year "undisputed attempts at interference in our domestic affairs reached unprecedented proportions."

"It is a principal of international law and conduct that no self-respecting, sovereign country should be subservient to any other," he said.

The president's 30-minute speech appeared to be a harbinger of the upcoming election campaign, in which the National Party will seek a reaffirmation of the electoral mandate it has held since 1948.

Mr. Botha said he had decided not to call elections for the separate mixed-race and Asian houses of Parliament, and he paid scant attention to reform of the system of apartheid, or strict racial separation, although he reaffirmed his invitation to black nationalists to negotiate a formula of power sharing.

But Mr. Botha made it clear that negotiations with the outlawed African National Congress, the main guerrilla force battling minority white rule, could only be held if the guerrilla African National Congress renounced violence.

## EC: Trade Conflicts

(Continued from Page 1)

Thus, in the grain dispute U.S.-EC debate became charged.

"Each side tried to gain political advantage out of this," said Andre Sapir, a visiting professor of economics at the Graduate Institute of International Studies in Geneva. "The whole thing got politically deformed."

In better times, he said, the dispute could have been quietly resolved without implicating other aspects of U.S.-EC trade relations. But, he added, it was not.

Trade liberalization talks are scheduled to be held this year by the General Agreement on Tariffs and Trade. France's farm lobby, incensed over concessions to U.S. farmers, have vowed to force Paris to defend the Common Agricultural Policy at the GATT talks.

Attention also is focusing on a dispute on the Airbus consortium, which consists of French, British, West German and Spanish companies. The United States has accused the consortium of benefiting from unfair government subsidies in developing two aircraft, which would compete with planes produced by Boeing Co. and McDonnell Douglas Corp. of the United States.

EC and U.S. officials also say the two sides face difficult negotiations over exports of West German machine tools, U.S. access to the EC's telecommunications market, and a recent EC ban on meat hormones.

## MANILA: Military Declares It Will Purge Rebel Troops

(Continued from Page 1)

Mr. Marcos and were involved in a short-lived effort in July to set up a rebel government in a Manila hotel.

The takeover attempt by about 400 troops, and the three-day occupation of a television station in Manila by some of them and by civilians, coincided with an abortive move by Mr. Marcos and his wife, Imelda, to fly back to the Philippines from exile in Hawaii.

General Ramos said that 13 officers and 359 soldiers were being held for involvement, as well as 137 civilians, most of whom had helped occupy the TV station.

Mr. Pimentel said that up to 100 other civilians who did not join or openly support others in occupying the TV station were under investigation by the Justice Ministry for involvement in the uprising, although none of them had been arrested or charged. As many as 10 of them were well-known political figures in the Philippines, he said.

Mr. Pimentel gave no names, but several pro-Marcos politicians were reported to have gone into hiding during the uprising.

General Ramos, apparently referring to the Communist announcement to withdraw from peace talks, said the armed forces must be united to operate effectively against armed groups threatening society.

The National Democratic Front, which has been negotiating with the government on behalf of the banned Communist Party of the Philippines, released its statement at a protest rally commemorating the 18 persons killed last week in a clash between demonstrators and troops near the presidential palace. The killings were suspended after the talks.

The front's national council said Communist guerrillas would continue to respect the cease-fire with government forces until it expired Feb. 8.

After signing the cease-fire

agreement, the front began negotiations with the government in December to try to find solutions to a guerrilla war that had been going on with increasing intensity in many parts of the Philippines, mainly in the countryside, for 18 years.

The two sides have been unable to agree on an agenda and each has blamed the other.

The front's statement did not say whether it was prepared to extend the cease-fire. But it warned that unless the government changed its negotiating stand, Communist guerrillas would "have no option but to resort to a policy of waging just war."

Teofino Guingona Jr., the government's chief negotiator, said he had not been formally notified of the front's intention to end peace talks. He said it might still be possible to extend the truce, but added: "What's the use of a cease-fire if there are no substantial talks?"

## TRADE: December Deficit Narrowed but '86 Set Record

(Continued from Page 1)

in the chronic trade imbalance could not be expected.

"We are getting the improvement in exports we had expected," said David Wyes, chief financial economist for Data Resources Inc., a private forecasting service. "But offsetting that has been a 10-percent rise in import prices."

Thus, the dropping value of the U.S. dollar has so far not had the effect that had been hoped for, he pointed out. "Imports are not declining, they're just getting more expensive," he said.

The department also revised November's record trade deficit downward to \$15.44 billion. But as

it does every month, the agency cautioned against comparing revised and unrevised monthly deficit figures.

The Reagan administration had contended that the November figures were a fluke and that the trade imbalance was easing under pressures of a weakening dollar. It has predicted a \$30 billion improvement in the deficit this year.

But Mike Evans, president of Evans Economics, a private economics consulting firm, said he doubts that the trade deficit will change at all in 1987 because of an expected increase in imported oil prices.

"Even if the rest of the trade

balance improved by \$10 billion, we would have no chance at all because of the rise in oil prices," Mr. Evans said. "I think the improvement the administration is looking for will turn out to be a myth."

The Commerce Department report also showed that the United States ran deficits of \$26.4 billion with the European Community last year, up from \$22.6 billion; \$23.3 billion with Canada, up from \$22.1 billion; \$15.7 billion with Taiwan, up from \$13 billion; and \$10.7 billion with the Organization of Petroleum Exporting Countries, down from \$11.6 billion. (AP, Reuters)

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## ARTS / LEISURE

## James Lally and the Booming Chinese Market

NEW YORK—When the president of the most powerful auction house in the United States steps down to open his own art gallery after devoting 15 years of his professional life to the company, it means that something big is happening in his field.

All the indications are that Chinese art, particularly its early forms from Shang bronzes to Ming porcelain, is on the eve of yet another boom. The career of James J. Lally, who resigned as president of Sotheby's North America on Dec. 31, 1985, to set up a gallery at 42 East 57th Street simply called J.J. Lally & Co. Oriental Art, neatly coincides with the developments that have led to the present price explosion on the Chinese market.

Little in his university background predestined Lally to become a leading market expert in Chinese art. Neither his undergraduate studies in English literature at

Harvard nor the combined degree in economics and diplomatic history he took at Columbia pointed to commerce or art, let alone China. Early exposure to the outstanding collection of Chinese art in the Mu-

## SOURIN MELIKIAN

seum of Fine Art in Boston, his hometown, was the initial factor that awoke what was to become a lifetime passion. While in Europe to see more Chinese art, Lally was offered a job at Sotheby's. Hired for his competence in finance and economics, he somehow managed to have a yearlong stint in the Chinese art department in London under James Kiddle, of whom he still speaks in reverential tones.

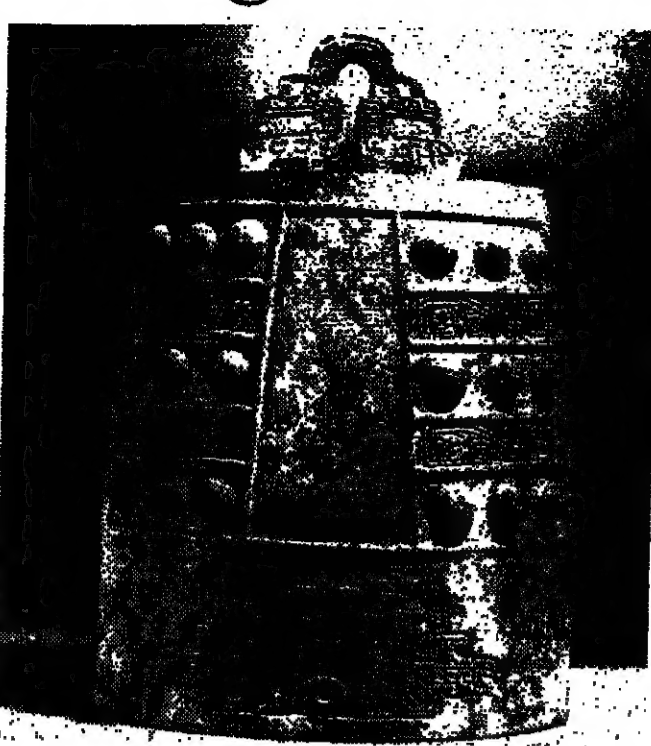
In May 1973, while Chinese art was riding a crest thanks to Japanese buying and the awakening of Hong Kong, there came an opening in New York. Sotheby's expert in Chinese art was leaving for Europe. Lally joined the department and,

on Nov. 20, 1973 held the first sale for which he had written up all the entries. It was a landmark in American auctions of Chinese art. For the first time, footnotes and cross-referencing in scholarly style loomed large in contrast to the past, when objects were broadly characterized in terms of medium, size, and period. A white porcelain bowl of otherwise banal appearance was shown to be connected with the Liao kingdom on the basis of an incised mark in a well-documented discussion that brought in the discoveries of the Swedish scholar Jan Wirgin.

The other major innovation was Lally's approach to the market. He scouted for objects instead of waiting for them to fall in his lap. While walking about Georgetown, his eye was caught by a jade vase in the window of a shop of antiques of every description. He walked in, inquired about the price, which was \$15,000, and said he could get three times as much in his forthcoming auction. In that Nov. 20 sale, the superb Kangxi covered vase set a world record at five times the dealer's price. By the end of the year, Lally was director of the Chinese art department.

Julian Thompson, director of the Chinese department in London, was then setting up Sotheby's Hong Kong. The November experimental sale had been a dumping ground for objects that had been to Hong Kong and met the dealers and collectors, seemed a fantastic opportunity. He asked to join. After a trial period, he became a director of Sotheby's Hong Kong in 1974 and, from then until his resignation from Sotheby's, ran the operation with Thompson. The rich Chinese business community was gradually drawn into the auction game and this had a worldwide impact on the prices for later imperial porcelain in the Chinese taste.

When A. Alfred Taubman



Large archaic bronze bell of the Zhou dynasty.

bought Sotheby's in 1982, a new era opened for Lally, who soon became president of Sotheby's America. Two years later he resigned. He had found himself bogged down in administrative chores and cut off from what he cared most about — objects and collectors. Like other experts, he did not like the new atmosphere — "I had no wish to be another sort of apparition," Lally wryly notes. The challenge of working in an auction house as an expert, which is in being confronted with hundreds of objects and learning daily, no longer worked. There comes a time when you sift more and more to learn less and less.

Above all, Lally felt that time was ripe for a new gallery in Chi-

nese art. The two giants in early Chinese objects are now slowly withdrawing from the New York scene. J.T. Tai, who sold most of the great archaic bronzes to be seen in American collections, has been winding up his operation for the last five years. Another major dealer, Alan Hartman, recently closed his gallery, Rare Art Inc., on Madison Avenue, to operate from home. Their semi-retreat takes place at the moment when New York is emerging as a major trading center for Chinese art after a prolonged eclipse. When Lally first stepped into Sotheby's Chinese department, nearly sales for the season (1972-1973) stood at \$1.7 million. In his last full season (1984-1985), they had jumped to \$17.5 million

— an increase of \$5 million from the previous season.

Several factors account for the New York renaissance. It took a generation to erase the consequences of the law banning any imports from Communist China.

A second factor, Lally says, is the impetus given by the special consultant for Far Eastern art in the Metropolitan Museum, Professor Wen Fong of Princeton University. In New York, where interest in art often follows trends set by an institution or a personality with a high profile, the impact on collectors was perceptible.

A third factor that Lally, with his reserve bordering on shyness, would not dream of discussing, is Lally himself. I have accompanied him on visits to collectors, equally reserved and determined to shield their privacy, who, when handling objects in his company, thawed as he does too. He has undoubtedly stimulated some old collectors and inspired new ones. Moreover, he is the man who established a two-way traffic between New York and Hong Kong, attracting collectors and dealers from the Far East to New York and persuading New Yorkers to go to Hong Kong.

The location that Lally chose, the way in which he built up his stock, and the procedures for his opening exhibition all reflect his experience as an auction house man, as well as his personal tastes in art, and even the professionals he most admires. It is probably no accident if the premises he chose on 57th Street call to mind the London gallery of Giuseppe Eskenazi at 166 Piccadilly. Both are above street level, allowing privacy. In both, the display, discreetly modern, is unassuming and leaves the objects to speak for themselves.

To launch his gallery, Lally decided to hold an exhibition and proceeded much as he used to in the Sotheby days. He cast his net



James Lally and Tang dynasty lion.

far and wide, traveling from New York to Hong Kong and Europe, and produced a catalogue that deceptively looks like some of his last catalogues at Sotheby's, down to the dark blue background for a creamy sculpture on the cover. With a difference: the pieces are Lally's own choice, not that of a mixed bunch of vendors. They amount to what any auctioneer would consider a dream sale.

Lally enjoys the rare advantage of combining the object lover's instant perception and the scholar's awareness of historical significance. His selection went all the way from neolithic pottery from the Gansu to enamelled glass brush pots made under Qianlong (1736-1795). It is characterized by a mix of blockbusters (the most beautiful bronze bell of the Zhou period, of the seventh-sixth centuries B.C., I have seen on the market as part of a chime, of which another may be seen in the Arthur Sackler Museum at the Smithsonian) and of marvelous rarities not worth a great deal because they are so unobtrusive. His admirable bronze incense burner of the early Han period, with an openwork spiraling dragon on the lid, has no known parallel.

Lally had sent out 100 invitations, and 400 invitations to the preview viewing on Dec. 2, stipulating that the sale would start at 4 P.M. By Dec. 1 at 10 P.M., four people were queuing on 57th Street in a snowfall. When Lally arrived at 9 A.M. on Dec. 2, two more had joined them. By noon, Lally had to turn away buyers. Buyers would be allowed in according to arrival order established by ticket numbers. Each buyer would be limited to five items only. On the first night, 25 of the 47 items had been sold.

At the end of the exhibition on Dec. 17, only 10 remained unsold, with sales exceeding \$1 million. Buyers included two New York collectors, a Japanese agent dispatched by a Tokyo syndicate, a London dealer representing a European collector, and five U.S. museums. The stone figure of a Buddhist sativa that retains much of its original polychromy and can be dated to the first half of the seventh century now stands in the Cleveland Museum of Art. Lally gave his inaugural exhibition test with flying colors. A new power has arisen in the international arena of Chinese art. And New York has scored once again.

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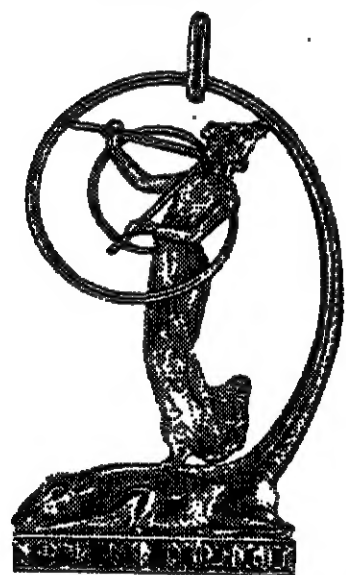
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## A Rap With Singer Eddie Money

By Mike Zwernin

International Herald Tribune

PARIS — Eddie Money's

"comeback" album, "Can't

Hold Back," still on the charts after

22 weeks, came after a two-and-a-

half year hiatus. It has sold more

than 500,000 copies and he bets it

will soon be a million. The hit

track, "Take Me Home Tonight,"

has earned the grumpy-voiced Money

a Grammy nomination.

The album is middle of the road

rock, with lyrics on the chic side of

banal and melodies on the commercial

edge of tedium. The songs are

more short soap operas than

poems. But it's well-tuned, there is

nothing to seriously dislike and

form over content is the secret of

the charts.

The 37-year-old Money, in Paris

last week on a European promotional

tour, was born Edward Mone-

money, the son of a New York City

cop. He attended the police academy

for a year, but hated it. "I

wasn't no Stansky or Hirsch." When

he dropped out to sing with a rock

'n' roll band, "my family disowned

me for a couple of years. It was

heartbreaking. It also made me a

nervous wreck." His brother is a

"super-heavy narcotics cop, which

is funny when you think about my

past reputation."

He moved to Berkeley, California,

hung out with "big time radicals"

like Huey Newton, and drugs are

easy to fall into when

worked with Bay Area bar bands.

The hard-boiled Fillmore promoter

have a lot of chicks and you're

Bill Graham, still his manager,

smoking pot snorting cocaine par-

signed him with Columbia Records

in 1977. Money's first, self-titled,

album sold a million units and he

began to make the gossip columns

by being thrown out of nightclubs,

displaying a flair for profanity and

a lifestyle based on whiskey, drugs

and wild women.

"I've cleaned up my act," he

says, "but I guess at heart I'll al-

ways be a street kid." His rat-a-tat

nasal tough-guy street rap is remi-

niscant of the onetime Dead End

Kid Hunk Hall.

"The first time I got up this

morning I danced in front of the

mirror threw on my shades and

relaxed a little bit I think it's great

to be alive I made a great record

I'm happily married and I have

something to look forward to every

day. This new comeback album it's

about being in love about growing

up it's got a lot of redemption in

it and a lot of feeling for the wife

very successful in the States but break-

ing Europe is like you know a chick

you fall in love with but you never

know if you're going to get the last

dance. I have a lot of confidence in

this record the singing's good the

material's good the music's good

to hear it would be nice to be an

international recording artist.

"But I got a lot of ground to

cover I didn't record or perform for

two-and-a-half years. Drinking and

drugs are easy to fall into when

you're working out 40 bars you

have a lot of chicks and you're

Bill Graham, still his manager,

smoking pot snorting cocaine par-

put it on the side now what? After

the years go by you start to get

more sensitive and serious you

wonder how long you're going to

be around professionally speaking I

had to re-establish priorities I

needed to meet the neighbors feed

my dogs get back into myself. So I

wrote songs and tried to make sure

my relationship was together with

my wife buying new furniture for

the house buying a piano seeing

friends I hadn't seen in years work-

ing real hard I need to space things

out so I don't lose control of the

real me. I write very autobiographi-

cally speaking there's a lot of sin-

cerity on the record and I think my

fans hear it I have a lot of older

people I'm working with. I'll take a

good look at the end of this year.

I got a long year ahead of me."

## Eddie Money

trying all night getting loaded like a

madman but you think you don't

really need any of it your weight's

down hey-hey your hair's long but

you're nuts. You don't consider

yourself an addict you're working it

all off every night but finally I said

okay this is what you guys want I'll

okay this is what you guys want I'll

okay this is what you guys want I'll

okay this is what you guys want I'll

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Stocks	P.10	Other markets	P.12

SATURDAY-SUNDAY, JANUARY 31-FEBRUARY 1, 1987 \*\*

## ECONOMIC SCENE

Long-Term Benefits Seen  
From U.S. RestructuringsBy JOHN H. KISSICK  
Los Angeles Times Service

LOS ANGELES—Is the restructuring of corporate America good for the vitality of the United States or not? Unfortunately, public debate over corporate takeovers, leveraged buyouts and restructurings often focuses on the process: hostile raids, poison pills, shark repellents, "junk bonds," white knights, store closings and employee layoffs.

Perhaps the most important question, however, is whether this seemingly frenetic activity will help the long-term competitiveness of the U.S. economy, and thus benefit companies, employees, consumers and shareholders.

The public should take a good hard look at some of the criticisms of takeovers and corporate restructurings and see if they bear scrutiny.

Criticism No. 1: Takeovers waste investment capital. In fact, takeover money goes to shareholders and either returns to the savings-investment pool or is spent on consumption, which in turn stimulates the economy and leads to further investment. Most economists agree with Michael Jensen's study published in the Harvard Business Review stating that "activities in the market for corporate control almost uniformly increase efficiency and shareholders' wealth."

Criticism No. 2: Takeovers result largely from undervalued stock prices, and since institutions holding most of this equity are intensely competitive and oriented to the short term, management is forced to focus on near-term earnings at the expense of long-term projects and research and development.

A Securities and Exchange Commission study shows that the stock market does not favor short-termism. It shows that institutions invest more in companies with the highest research and development expenditures and that most takeover targets have the lowest R&D expenditures within their industries.

Criticism No. 3: The breakup of companies is bad for the economy. But as President Ronald Reagan's Council of Economic Advisors notes, breaking up a company does not destroy its assets. It simply moves assets to managers who think they can use them more productively and are willing to pay a higher price for them.

Criticism No. 4: Takeovers and restructurings eliminate jobs and hurt the U.S. economy. Clearly, restructurings are likely to result in an overall loss of jobs in the short term. But the pressures to cut layers of management, to streamline what the deputy Treasury secretary, Richard Darman, called the "bloated bureaucracy" of big business, to increase productivity and to become more competitive with international exports, will be the pressures that ensure jobs in the long term.

As the economist Edward Yardini, who also has deep misgivings about the impact of restructurings on employment, has stated, "Global competitive pressures and glut are the roots of restructuring."

"If the Incans and Pickens don't do it," he said, referring to Carl C. Icahn and T. Boone Pickens, two U.S. takeover specialists, "the Japanese will do it for us by putting our companies out of business and taking what's left in their markets."

Criticism No. 5: The restructuring of corporate America is resulting in an over-leveraged United States.

In a recent column, Professor Richard Ellsworth expressed precisely the opposite concern about leverage, which is a company's use of supplementary non-equity capital, such as senior securities or borrowed money, to increase the returns on equity. His question was: "Given the increasing concern over America's competitive decline in world markets, can U.S. companies afford to have so little leverage?"

The percentage of debt in the capital structure averages 66 percent.

See SCENE, Page 11

Japanese  
Stocks  
Hit HighNikkei Average  
Passes 20,000

Agence France-Press

TOKYO—Institutional investors drove the Japanese stock market's key index, the Nikkei 225 stock average, beyond 20,000 for the first time on Friday.

Faced with historically low interest rates, buyers flush with cash but with few investment alternatives pushed the average up 127.30 yen to 20,048.35 yen, its seventh record in as many days.

Analysts said there were no fresh incentives for high prices. "It is just a passing point," said Takahiro Miki, executive director of Wako Securities Co.

The average has risen 53 percent in the past year. The rise has been attributed to a boom on Wall Street and a sharp appreciation of the yen, which has prompted companies to speculate in stocks to make up for currency losses.

The average hit 10,000 yen only three years ago in January 1984. Yoshiyuki Watanabe, director of Nikko Securities Co., said prices would climb further amid prospects for even lower interest rates.

The Bank of Japan, faced with a record-breaking appreciation of the yen, is expected to reduce soon its official discount rate, the fee for short-term loans to commercial banks, by half a percentage point to 2.5 percent, a record low. It would be the fifth reduction in a year.

Kenichi Tano, stock manager at Nippon Life Insurance Co., said the current buying centered only on financial stocks and some large-cap issues.

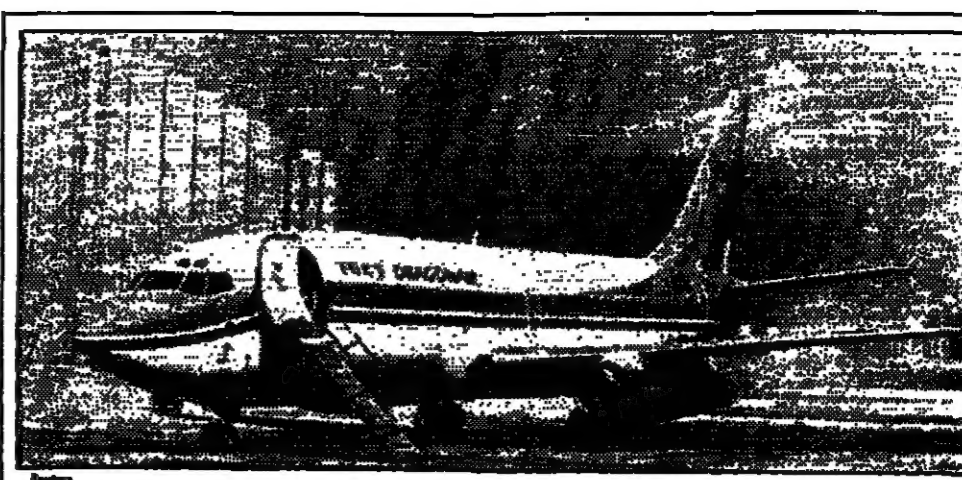
But, he said, "institutional investors, including life insurance companies, still have room to buy more."

Some analysts foresee a halt in activity after the expected discount-rate cut and the listing of Nippon Telephone & Telegraph Corp. on the Tokyo Stock Exchange on Feb. 9.

Public bidding for NTT, the former state-run telecommunications monopoly, has raised the share price to almost 1.2 million yen (\$8,000) from a face value of 50,000 yen.

Institutional investors, mainly trust banks, life insurance companies and investment trusts, have led the market's rise since 1984.

Net purchases by domestic institutional investors hit a record 6.38 billion yen on Japan's three major stock exchanges in Tokyo, Osaka and Nagoya last year.



A Dragonair plane on the ramp in Hong Kong: Helmut Solmen, right, the carrier's managing director, and Sir Yue-Kong Pao, the chairman and biggest shareholder.

Underdog Role Haunts Dragonair  
Chinese Stake in Cathay Stuns Tiny Hong Kong Carrier

By Patrick J. Smith

International Herald Tribune

HONG KONG—For Hong Kong Dragon Airlines, the small passenger carrier that is challenging the supremacy of Cathay Pacific Airways Ltd. here, the lunar calendar's Year of the Tiger ended on a decidedly mixed note.

On the positive side, the Hong Kong civil aviation authorities this week licensed Dragonair to operate 21 new routes, giving the carrier its first substantial opportunity to begin generating a steady flow of cash.

At the same time, rival Cathay Pacific Airways appears to have dramatically upstaged Dragonair in the two airlines' efforts to win acceptance here and in China.

Both of these developments came in a single day earlier this week. As a result, the Year of the Rabbit, which began Thursday, suddenly seems to hold as much uncertainty for Dragonair as it does promise.

Since it was formed 18 months ago, Dragonair's struggle to survive has centered chiefly on winning the right to build a network of routes for its tiny fleet, and on developing the few routes it has already been granted.

In this it has routinely encountered objections from Cathay, Hong Kong's unofficial flag carrier,

and what Dragonair says is a discriminatory aviation policy based largely on the British "old-boy network." Hong Kong section.

Now Dragonair faces an altogether new challenge. On Tuesday, Cathay announced that a mainland merchant bank, China International Trust & Investment Corp., would become a 12.5 percent shareholder in Cathay.

CITIC, as the Chinese institution is known, is to pay \$249.3 million for 212 million new Cathay shares and 146 million shares currently held by Hong Kong & Shanghai Banking Corp.

Cathay's parent, Swire Pacific Ltd., is to retain a 50.2 percent interest.

One question raised by the transaction is whether CITIC and similar Chinese institutions are functioning more or less independently or whether the move represents an abrupt decision by China to support Cathay in its long-running battles with Dragonair.

Analysts also question whether Swire Pacific's link with a mainland enterprise represents an alternative to the course chosen by Jardine Matheson three years ago when it moved its headquarters to Bermuda.

CITIC, which has been diversifying its activities

See DRAGONAIR, Page 11

## The Paribas Sale: An Embarrassment of Riches

By Claire Rosenberg

Reuters

PARIS—France's conservative government, caught off guard by the runaway success of its latest sale of a state-controlled enterprise, may face the embarrassment of having to back-track on a major promise it made to investors.

The government of Prime Minister Jacques Chirac is studying how to keep a promise that individual investors would be able to purchase at least 10 shares each in Cie. Financière de Paribas, the big French banking group that is being demutualized.

The sale of Paribas is part of a 300 billion franc (\$51 billion) program to reform 65 companies to the private sector by March 1991, reducing to 10 percent from 28 percent the state's stake in the economy.

The rush for shares in Paribas, which went on sale last week, is expected to far exceed the demand for the first group privatized, Cie. de

Saint-Gobain, a major maker of glass and iron pipes. That offer was 14 times oversubscribed.

The government has set aside 14.7 million shares for small investors at 405 francs (\$67.50) each. But Finance Minister Edouard Balladur said Tuesday that small shareholders might not get their promised 10 shares.

Mr. Balladur told a television audience on Tuesday that he would do his best to honor the 10-share promise. But officials admitted privately that to do so might require dipping into 6.7 million shares earmarked for foreign buyers and 8.5 million set aside for long-term institutional investors.

The alternative—issuing fewer than 10 shares each—would raise problems in a year or so. Buyers who hold onto their shares until then have been promised one free share for every 10 they own, a major incentive for new investors.

Mr. Balladur brushed off the potential complications. "I would rather be burdened by the success than submerged by failure," he said

Japan's Surplus  
In Trade Soars  
75%, to a Record

Compiled by Our Staff From Dispatch

TOKYO—Finance Ministry officials said Friday that, despite the effects of a stronger yen, Japan's current-account surplus soared 75 percent in 1986 to a record \$85.97 billion.

The bloated surplus, which compares with the previous record of \$49.17 billion in 1985, resulted largely from increased exports of merchandise to industrialized nations, particularly the United States, the officials said.

The current account is the broadest measure of a nation's trade, and includes goods, services and short-term interest dividends. Japan's merchandise-trade surplus alone was a record \$92.66 billion last year, a 66 percent increase from \$55.99 billion in 1985.

The nation's long-term capital outflow also doubled to \$131.81 billion last year from \$64.54 billion in 1985, the ministry said.

The current-account surplus for December also set a monthly record, at \$9.4 billion.

The figure compares with \$8.14 billion in November. The previous record monthly surplus was \$9.1 billion in September.

Japanese exports totaled \$205.56 billion last year, with \$80.4 billion, or 39 percent of that amount, imported by the United States, according to preliminary customs clearance figures.

Imports came to \$112.9 billion, with the United States accounting for 26 percent of that figure, the figures showed.

Japan reported a deficit of \$4.33 billion in services, or "invisible" trade, following a \$5.16 billion deficit in 1985, ministry officials said.

The record 1986 balance in Japan's current account came despite the yen's appreciation of about 60 percent against the dollar since leaders of five industrialized countries agreed in September 1985 to drive down the U.S. currency's value to help reduce the U.S. trade deficit.

While the high yen has failed so far to curb the country's trade sur-

pluses, it has increased the prices of Japanese goods abroad. The volume of business has declined sharply as a result in yen terms, damaging companies' confidence and prompting efforts to reduce labor costs.

The ministry, underlining that trend, announced Friday that the unemployment rate rose to 2.5 percent in 1986, the highest figure since Japan adopted its current system of calculating jobless statistics in 1953. The jobless rate was 2.6 percent in 1985.

Officials said that the increase reflected the reluctance of Japanese manufacturers to hire workers amid a slump in overseas sales of Japanese cars, steel and other goods.

Haruo Muto, an economist with the Bank of Tokyo, said that unemployment could rise to 3 percent this year, which is low by European and U.S. standards but a politically explosive figure in Japan.

Despite the trade results, Japan's surpluses should decline in 1987 as the drop in trade volume is reflected in dollar values, analysts said.

"The yen is stronger and Japanese goods are not being bought" at the same levels "in the United States," said the chief economist of the Long-Term Credit Bank of Japan, Nobuyoshi Araki. "Last December should be the peak."

U.S. pressure on Japan to do more to fuel its domestic economy and thereby increase imports is also certain to continue, economists said.

Japan is widely expected to announce a cut in its official discount rate as one way of stimulating growth by making it cheaper for companies to borrow funds.

Economists said that the record current-account and trade surpluses could foil Tokyo's efforts to stabilize the value of the yen against the dollar in the short term.

"We should brace for turbulence in the currency market," said Akio Kohno, the chief economist for Daiwa Securities.

(AFP, Reuters, AP)

Baker Says U.S.  
Is Considering  
A G-5 Meeting

Reuters

WASHINGTON—The United States is "giving some consideration" to a meeting of the Group of Five industrial nations, though there are "no present plans for a G-5," Treasury Secretary James A. Baker 3d said Friday.

"I think it's clear there is some consideration being given to the possibility" of a meeting, Mr. Baker said in response to a question from the Joint Economic Committee of Congress. He also told the committee that Washington had not been pushing for a decline in the dollar in the past year.

In Tokyo, Japanese officials and Western diplomats said Friday that Japan was continuing to press hard for a meeting but that Britain and West Germany appeared reluctant. The diplomats attributed their hesitancy to fear that the dollar would fall sharply if the group met and failed to agree.

West German sources said that, despite official doubts about the usefulness of a meeting, Bonn would not refuse to participate. The group of five comprises West Germany, Britain, France, the United States and Japan.



Don Johnston

A Selling Job for J. Walter Thompson  
Dismissals Add to Troubled Ad Giant's Image Problem

By Bruce Horowitz

Los Angeles Times Service

NEW YORK—The advertising giant J. Walter Thompson Co. suddenly has a selling job to do on its own behalf, convincing clients that one of the oldest American ad companies is still up to the job.

After the events of this week, that will not be easy. On Monday, the chairman was dismissed. Late Thursday the president was let go.

While the 123-year-old company generally gets high marks for its creative work, advertising industry executives and analysts say it is bloated and poorly managed. Two weeks from now the company is expected to release results that show a second consecutive year of reduced profits. Wall Street critics say Thompson's creativity is eclipsed only by its spending.

While many advertising companies began making substantial staff cuts early last year, J. Walter Thompson was among the last to shrink its payroll. Nearly 200 workers were let go last year, primarily from the New York office. Although the agency saved some money in 1986 by shutting down its Washington office, it has no plans for any substantial closings of branches worldwide.

"It's not like running a factory line," Don Johnston, chairman and chief executive of JWT Group, said Thursday. "You can't just go shutting down lines in a business like ours."

In a lousy year for most ad agencies, Thompson was among the last to react, he conceded. "We had a lot of new people in place who might not have reacted quickly enough," he said.

"We are facing a few critical weeks at present," Mr. Feldt said. "We must capitalize on the slow-down in wage costs and we are telling industry it should not pass higher costs on to the consumer."

(AP, Reuters)

through a leveraged buyout. On Thursday, the company said John E. Peters, 55, president and chief operating officer of the ad division, was also let go, reportedly for supporting Mr. O'Donnell's plan.

Mr. Johnston said he had spent much of his time on the telephone for the past week trying to calm clients. He said he had spoken with 40 JWT office managers worldwide and 30 key advertisers, telling clients such as Burger King Corp., Miller Brewing Co., Eastman Kodak Co., Chevron Corp. and the U.S. Marine Corps: "I see a period of stability ahead."

Stability, at least with clients, has long been a hallmark of the company, which says its 20 largest clients have used its services for an average of 30 years.

JWT Group employs 9,800 people worldwide, one of the biggest payrolls in the industry. Its divisions expect to post combined 1986 worldwide billings of about \$3.6 billion, ranking fourth internationally. Saatchi & Saatchi Co. Inc. of London ranks first, with billings of about \$7 billion.

Some analysts charge that Thompson spends money as fast as Burger King sells Whoppers. "They do great ad work," said Alan Gottesman of the New York brokerage L.F. Rothschild, "but their profit margins are awful."

One of the company's competitors, Edward H. Meyer, chairman of Grey Advertising Inc., says he is baffled by Thompson's problems. "It's a paradox how an agency that performs so well for its clients can't get its own act cleaned up," he said.

Agency Expands Board  
J. Walter Thompson named eight company executives to its board Friday, increasing the number of directors to 26, Reuters reported from New York.

The appointments had been contemplated before the dismissal of Mr. O'Donnell, a spokesman said. The board decreased in size to 18 from 20 when Mr. O'Donnell and Mr. Peters left.

BANQUE DE GESTION PRIVÉE  
Geneva, Switzerland

Wishes to inform its clientele that it is not concerned by the merger of BANQUE DE GESTION PRIVÉE, Paris, with Société Internationale de Banque (SIB), and it remains an independent Swiss Bank.

BANQUE DE GESTION PRIVÉE  
5, Place de l'Université  
1211 Geneva, Switzerland.

## Currency Rates

Cross Rates	Jan. 30	Jan. 30	Jan. 30	Jan. 30	Jan. 30	Jan. 30	Jan. 30	Jan. 30	Jan. 30
American dollar	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
British pound	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
French franc	6.55	6.55	6.55	6.55	6.55	6.55	6.55	6.55	6.55
German mark	1.36	1.36	1.36	1.36	1.36	1.36	1.36	1.36	1.36
Italian lira	1,360	1,360	1,360	1,360	1,360	1,360	1,360	1,360	1,360
Japanese yen	160	160	160	160	160	160	160	160	160
Swiss franc	1.48	1.48	1.48	1.48	1.48	1.48	1.48	1.48	1.48
Spanish peseta	166.67	166.67	166.67	166.67	166.67	166.67	166.67	166.67	166.67
U.S. dollar	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00

Changes in London and Zurich, Britain in other European centers. New York rates of 4 P.M. on Jan. 30. 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American dollar to yen one round (je) American dollar to yen one round (jf) American dollar to yen one round (jg) American dollar to yen one round (jh) American dollar to yen one round (ji) American dollar to yen one round (jj) American dollar to yen one round (jk) American dollar to yen one round (jl) American dollar to yen one round (jm) American dollar to yen one round (jn) American dollar to yen one round (jo) American dollar to yen one round (jp) American dollar to yen one round (jq) American dollar to yen one round (jr) American dollar to yen one round (js) American dollar to yen one round (jt) American dollar to yen one round (ju) American dollar to yen one round (jv) American dollar to yen one round (jw) American dollar to yen one round (jx) American dollar to yen one round (jy) American dollar to yen one round (jz) American dollar to yen one round (ka) American dollar to yen one round (kb) American dollar to yen one round (kc) American dollar to yen one round (kd) American dollar to yen one round (ke) American dollar to yen one round (kf) American dollar to yen one round (kg) American dollar to yen one round (kh) American dollar to yen one round (ki) American dollar to yen one round (kj) American dollar to yen one round (kk) American dollar to yen one round (kl) American dollar to yen one round (km) American dollar to yen one round (kn) American dollar to yen one round (ko) American dollar to yen one round (kp) American dollar to yen one round (kq) American dollar to yen one round (kr) American dollar to yen one round (ks) American dollar to yen one round (kt) American dollar to yen one round (ku) American dollar to yen one round (kv) American dollar to yen one round (kw) American dollar to yen one round (kx) American dollar to yen one round (ky) American dollar to yen one



NYSE Most Actives					
Vol.	High	Low	Last	Ch.	
437.7	29.75	29.50	29.75	+1/4	IBM
321.5	29.50	29.25	29.50	+1/4	AT&T
291.5	29.25	29.00	29.25	+1/4	General Electric
271.5	29.00	28.75	29.00	+1/4	Johnson & Johnson
251.5	28.75	28.50	28.75	+1/4	Merck & Co.
231.5	28.50	28.25	28.50	+1/4	Boeing
211.5	28.25	28.00	28.25	+1/4	Amgen
191.5	28.00	27.75	28.00	+1/4	Novartis
171.5	27.75	27.50	27.75	+1/4	Glaxo
151.5	27.50	27.25	27.50	+1/4	Schering-Plough

Market Sales		NYSE 4 a.m. volume	NYSE prev. com. close
NYSE 4 a.m. volume	143,340,000	NYSE prev. com. close	12,111,000
NYSE prev. com. close	12,111,000	NYSE prev. com. close	12,111,000
NYSE prev. com. close	12,111,000	NYSE prev. com. close	12,111,000
NYSE prev. com. close	12,111,000	NYSE prev. com. close	12,111,000
NYSE prev. com. close	12,111,000	NYSE prev. com. close	12,111,000
NYSE prev. com. close	12,111,000	NYSE prev. com. close	12,111,000
NYSE prev. com. close	12,111,000	NYSE prev. com. close	12,111,000
NYSE prev. com. close	12,111,000	NYSE prev. com. close	12,111,000
NYSE prev. com. close	12,111,000	NYSE prev. com. close	12,111,000

NYSE Index				
High	Low	Close	Change	
15,111	15,046	15,111	+65	Composite
15,111	15,046	15,111	+65	Industrials
15,111	15,046	15,111	+65	Utilities
15,111	15,046	15,111	+65	Finance
15,111	15,046	15,111	+65	Commodities

# Friday's NYSE Closing

*Via The Associated Press*

AMEX Diary		Close	Prev.
Close	29.75	Prev.	29.50
Prev.	29.50		

NASDAQ Index		Close	Prev.
Close	29.75	Prev.	29.50
Prev.	29.50		

AMEX Most Actives					
	Vol.	High	Low	Last	Ch.
Volight	64,330	35	23 1/2	35	+1 1/2
Vol	52,340	35	23 1/2	35	+1 1/2
Vol	52,340	35	23 1/2	35	+1 1/2
Vol	52,340	35	23 1/2	35	+1 1/2
Vol	52,340	35	23 1/2	35	+1 1/2
Vol	52,340	35	23 1/2	35	+1 1/2
Vol	52,340	35	23 1/2	35	+1 1/2
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Vol	52,340	35	23 1/2	35	+1 1/2
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Vol	52,340	35	23 1/2	35	+1 1/2
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Vol	52,340	35	23 1/2	35	+1 1/2
Vol	52,340	35	23 1/2	35	+1 1/2
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Vol	52,340	35	23 1/2	35	+1 1/2
Vol	52,340	35	23 1/2	35	+1 1/2
Vol	52,340	35	23 1/2	35	+1 1/2
Vol	52,340	35	23 1/2	35	+1 1/2
Vol	52,340	35	23 1/2	35	+1 1/2
Vol	52,340				

Dow Jones Bond Averages		Close	Prev.
Close	29.75	Prev.	29.50
Prev.	29.50		

NYSE Diary		Close	Prev.
Close	29.75	Prev.	29.50
Prev.	29.50		

Odd-Lot Trades in N.Y.		Buy	Sell	*Net
Buy	143,340,000	Sell	12,111,000	*Net
Sell	12,111,000	*Net		
*Net				

	Open	High	Low	Last	Chg.
Indus	2158.32	2173.51	2127.67	2158.04	- 1.97
Trans	877.06	883.24	864.34	874.88	- 2.66
Util	224.61	225.88	222.19	224.73	+ 0.17
Comp	822.73	828.35	811.40	822.17	- 1.06

	High	Low	Close	Change
Industrials	308.50	305.19	308.34	+8.14
Transp.	214.25	210.98	213.17	+0.73
Utilities	122.91	121.61	122.75	+0.03
Finance	29.70	29.43	29.43	+0.05
SP 500	274.24	271.38	274.08	+0.16
SP 100	—	—	262.96	+0.25

NASDAQ Diary		Close	Prev.
Close	29.75	Prev.	29.50
Prev.	29.50		

AMEX Stock Index			
High	Low	Close	Change
300.49	299.24	300.07	+ 0.67

Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere.

## N.Y. Prices Dip in Profit-Taking

NEW YORK — Prices on the New York Stock Exchange finished narrowly lower Friday after late buying erased sharp losses caused by profit-taking ahead of the weekend and limited futures-related selling.

Trading was active, but noticeably slower than in recent sessions.

The Dow Jones industrial average slipped 1.97 points to 2,158.04. It had fallen 18 points in early afternoon trading.

Declines narrowly outnumbered advances. Volume amounted to about 163.36 million shares, down from 205.25 million Thursday and dramatically below the record 302.46 million traded the previous Friday.

Broad market gauges slipped. The New York Stock Exchange composite index slid 0.08 points to 156.11. Standard & Poor's 500-stock index lost 0.16 to 274.08. The price of an average share fell 2 cents.

The Dow set record highs 15 times in January, climbing 262 points, or 13.8 percent, of its value on Dec. 31. Declines on Thursday and Friday were the first back-to-back losses for the market this month.

"Friday's action has nothing to do with anything a rational person might think," said Albert Goldman, a market strategist at A.G. Edwards in St. Louis. "The market wasn't concerned with the better-than-expected trade deficit data or with any particular news development. It was just calling 'time out.'"

Mr. Goldman said that Friday's decline in slower trading was a positive development.

"The sign of a healthy market is that it can get very 'overbought' in a short period of time and then not collapse," he said.

Although the market climbed dramatically in January, Friday's pullback was "very calm," he observed. He predicted that stock prices would have a week or two of rest and recuperation before moving higher again.

Traders said that the government's report that the U.S. trade deficit shrank to \$10.7 billion in December inspired some profit-taking in stocks of American companies with multinational operations.

Gold fell sharply, and the dollar rallied on news of the unexpectedly narrow December trade deficit.

Traders said that a rebounding dollar might alleviate inflation fears in the credit markets, eventually leading to higher bond prices and lower interest rates. Most of the bull market's gains have been attributed to low rates.

AT&T was the most active NYSE-listed issue Friday, sliding 1 to 24 1/2. On Thursday, it reported a sharp drop in earnings that included a previously announced pretax charge of \$3.2 billion.

General Motors followed, unchanged at 75 1/4. Union Carbide was third, rising 1/4 to 25 1/4. Among other actively traded blue chips, IBM edged up 1/4 to 128 3/4 and American Express fell 1 1/2 to 68.

Dow Chemical fell 1 to 71 1/4 as a rebounding dollar prompted some profit taking in dollar-sensitive issues.

Among high-technology issues, Unisys fell 2 1/2 to 93 1/4 and Hewlett-Packard slid 1/4 to 50 1/4.

Cray Research rose 2 1/4 to 11 1/4 and Digital Equipment added 1/4 to 14 1/4.

Tobacco stocks were active. Philip Morris fell 2 1/4 to 88 1/4. RJR Nabisco slid 1 1/2 to 62 1/4 and American Brands rose 1/4 to 49 1/4.

12 Month	High	Low	Stock	Div.	Yld.	PE	52 Wk. High	52 Wk. Low	Close	Ch.
12 Month	High	Low	Stock	Div.	Yld.	PE	52 Wk. High	52 Wk. Low	Close	Ch.
High	29.75	Low	29.50	Close	29.75	Ch.	+1/4			
Low	29.50	Close	29.75	Ch.	+1/4					
Stock	29.75	Div.	29.50	Yld.	29.75	PE	52 Wk. High	52 Wk. Low	Close	Ch.

12 Month	High	Low	Stock	Div.	Yld.	PE	52 Wk. High	52 Wk. Low	Close	Ch.
12 Month	High	Low	Stock	Div.	Yld.	PE	52 Wk. High	52 Wk. Low	Close	Ch.
High	29.75	Low	29.50	Close	29.75	Ch.	+1/4			
Low	29.50	Close	29.75	Ch.	+1/4					
Stock	29.75	Div.	29.50	Yld.	29.75	PE	52 Wk. High	52 Wk. Low	Close	Ch.

12 Month	High	Low	Stock	Div.	Yld.	PE	52 Wk. High	52 Wk. Low	Close	Ch.
12 Month	High	Low	Stock	Div.	Yld.	PE	52 Wk. High	52 Wk. Low	Close	Ch.
High	29.75	Low	29.50	Close	29.75	Ch.	+1/4			
Low	29.50	Close	29.75	Ch.	+1/4					
Stock	29.75	Div.	29.50	Yld.	29.75	PE	52 Wk. High	52 Wk. Low	Close	Ch.

12 Month	High	Low	Stock	Div.	Yld.	PE	52 Wk. High	52 Wk. Low	Close	Ch.
12 Month	High	Low	Stock	Div.	Yld.	PE	52 Wk. High	52 Wk. Low	Close	Ch.
High	29.75	Low	29.50	Close	29.75	Ch.	+1/4			
Low	29.50	Close	29.75	Ch.	+1/4					
Stock	29.75	Div.	29.50	Yld.	29.75	PE	52 Wk. High	52 Wk. Low	Close	Ch.

12 Month	High	Low	Stock	Div.	Yld.	PE	52 Wk. High	52 Wk. Low	Close	Ch.
12 Month	High	Low	Stock	Div.	Yld.	PE	52 Wk. High	52 Wk. Low	Close	Ch.
High	29.75	Low	29.50	Close	29.75	Ch.	+1/4			
Low	29.50	Close	29.75	Ch.	+1/4					
Stock	29.75	Div.	29.50	Yld.	29.75	PE	52 Wk. High	52 Wk. Low	Close	Ch.

12 Month	High	Low	Stock	Div.	Yld.	PE	52 Wk. High	52 Wk. Low	Close	Ch.
12 Month	High	Low	Stock	Div.	Yld.	PE	52 Wk. High	52 Wk. Low	Close	Ch.
High	29.75	Low	29.50	Close	29.75	Ch.	+1/4			
Low	29.50	Close	29.75	Ch.	+1/4					
Stock	29.75	Div.	29.50	Yld.	29.75	PE	52 Wk. High	52 Wk. Low	Close	Ch.

12 Month	High	Low	Stock	Div.	Yld.	PE	52 Wk. High	52 Wk. Low	Close	Ch.
12 Month	High	Low	Stock	Div.	Yld.	PE	52 Wk. High	52 Wk. Low	Close	Ch.
High	29.75	Low	29.50	Close	29.75	Ch.	+1/4			
Low	29.50	Close	29.75	Ch.	+1/4					
Stock	29.75	Div.	29.50	Yld.	29.75	PE	52 Wk. High	52 Wk. Low	Close	Ch.

12 Month	High	Low	Stock	Div.	Yld.	PE	52 Wk. High	52 Wk. Low	Close	Ch.
12 Month	High	Low	Stock	Div.	Yld.	PE	52 Wk. High	52 Wk. Low	Close	Ch.
High	29.75	Low	29.50	Close	29.75	Ch.	+1/4			
Low	29.50	Close	29.75	Ch.	+1/4					
Stock	29.75	Div.	29.50	Yld.	29.75	PE	52 Wk. High	52 Wk. Low	Close	Ch.

12 Month	High	Low	Stock	Div.	Yld.	PE	52 Wk. High	52 Wk. Low	Close	Ch.
12 Month	High	Low	Stock	Div.	Yld.	PE	52 Wk. High	52 Wk. Low	Close	Ch.
High	29.75	Low	29.50	Close	29.75	Ch.	+1/4			
Low	29.50	Close	29.75	Ch.	+1/4					
Stock	29.75	Div.	29.50	Yld.	29.75	PE	52 Wk. High	52 Wk. Low	Close	Ch.

12 Month	High	Low	Stock	Div.	Yld.	PE	52 Wk. High	52 Wk. Low	Close	Ch.
12 Month	High	Low	Stock	Div.	Yld.	PE	52 Wk. High	52 Wk. Low	Close	Ch.
High	29.75	Low	29.50	Close	29.75	Ch.	+1/4			
Low	29.50	Close	29.75	Ch.	+1/4					
Stock	29.75	Div.	29.50	Yld.	29.75	PE	52 Wk. High	52 Wk. Low	Close	Ch.

12 Month	High	Low	Stock	Div.	Yld.	PE	52 Wk. High	52 Wk. Low	Close	Ch.
12 Month	High	Low	Stock	Div.	Yld.	PE	52 Wk. High	52 Wk. Low	Close	Ch.
High	29.75	Low	29.50	Close	29.75	Ch.	+1/4			
Low	29.50	Close	29.75	Ch.	+1/4					
Stock	29.75	Div.	29.50	Yld.	29.75	PE	52 Wk. High	52 Wk. Low	Close	Ch.

12 Month	High	Low	Stock	Div.	Yld.	PE	52 Wk. High	52 Wk. Low	Close	Ch.
12 Month	High	Low	Stock	Div.	Yld.	PE	52 Wk. High	52 Wk. Low	Close	Ch.
High	29.75	Low	29.50	Close	29.75	Ch.	+1/4			
Low	29.50	Close	29.75	Ch.	+1/4					
Stock	29.75	Div.	29.50	Yld.	29.75	PE	52 Wk. High	52 Wk. Low	Close	Ch.

12 Month	High	Low	Stock	Div.	Yld.	PE	52 Wk. High	52 Wk. Low	Close	Ch.
12 Month	High	Low	Stock	Div.	Yld.	PE	52 Wk. High	52 Wk. Low	Close	Ch.
High	29.75	Low	29.50	Close	29.75	Ch.	+1/4			
Low	29.50	Close	29.75	Ch.	+1/4					
Stock	29.75	Div.	29.50	Yld.	29.75	PE	52 Wk. High	52 Wk. Low	Close	Ch.

12 Month	High	Low	Stock	Div.	Yld.	PE	52 Wk. High	52 Wk. Low	Close	Ch.
High	29.75	Low	29.50	Close	29.75	Ch.	+1/4			
Low	29.50									
High	29.75	Low	29.50	Close	29.75	Ch.	+1/4			
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High	29.75	Low	29.50	Close	29.75	Ch.	+1/4			
Low	29.50									
High	29.75	Low	29.50	Close	29.75	Ch.	+1/4			
Low	29.50									











## CURRENCY MARKETS

## Dollar Up Sharply on Trade Figures

Compiled by Our Staff From Dispatches

**NEW YORK**—Better-than-expected figures for the U.S. merchandise trade deficit propelled the dollar sharply ahead Friday in New York and Europe, although it finished down from the day's highs.

The December deficit of \$10.66 billion was well below the expected \$14 billion to \$15 billion.

The dollar had risen even before the Commerce Department released the trade figures. Suspicions of a leak came when one foreign customer made a \$1 billion purchase of dollars through a U.S. investment house just before the figure was released.

After the trade figure came out, the dollar shot up to almost 1.8450 Deutsche marks, but drifted down again when the Treasury secretary, James A. Baker 3d, said that "what has happened to the dollar has been beneficial."

## London Dollar Rates

Currency	Rate
Deutsche mark	1.8450
Swiss franc	1.5065
French franc	1.5355
Italian lira	1.936
Spanish peseta	166.6
Portuguese escudo	200.48
Japanese yen	160.37
British pound	1.5355

He also said the improved trade figure should not be overemphasized.

However, the dollar was up more than 4 pence on the day, closing in New York at 1.8340 DM, against 1.7920 DM Thursday. It also closed at 153.75 yen, up from 152.60; at 6.1145 French francs, up from 5.9775; and at 1.5470 Swiss francs, up from 1.5065.

The dollar was also higher against the British pound, which closed at \$1.5140, against \$1.5355 on Thursday.

## SCENE: Takeover Effects

(Continued from first finance page)

Mr. Baker did not rule out a meeting with his counterparts in the Group of Five industrial countries, West Germany, Japan, Britain and France, although he said there were no plans for a meeting.

In London, the dollar was also more than 4 pence higher, closing at 1.8320 DM, against 1.7888 Thursday. It was also higher against the British pound, which closed at \$1.5135, against \$1.5380 Thursday.

In earlier European trading, the dollar was fixed at midday in Frankfurt at 1.8085 DM, up from 1.7823; and at 6.0335 French francs in Paris, up from 5.9500.

It closed in Zurich at 1.5465 Swiss francs, up from 1.5045 Thursday. Overnight in Tokyo, the dollar closed at 152.65 yen, up from 152.05 Thursday.

(UPI, Reuters)

## SCENE: Takeover Effects

(Continued from first finance page)

percent for Japanese manufacturers and 64 percent for West German factories, more than twice the 30 percent of their U.S. counterparts.

Leveraging lowers the after-tax cost of capital by substituting debt, with tax-deductible interest, for higher-cost equity. And it helps less profitable companies grow more quickly than they might otherwise be able to do and to undertake investments that U.S. companies would find unacceptable.

Consequently, since the 1960s, net fixed investment as a percentage of U.S. gross domestic product—the total output of goods and services minus income from abroad—has significantly lagged the German and Japanese figures.

(UPI, Reuters)

## DRAGONAIR: Chinese Stake in Rival Stuns Hong Kong's No. 2 Carrier

(Continued from first finance page)

Guam, and the Japanese cities of Kagoshima, Kumamoto, Nagasaki and Osaka.

By the end of this year, Mr. Sohmen said, the carrier will have four aircraft. It is already committed to

who also serves as Dragonair's chairman.

Swire Pacific, in turn, "localized" Cathay last year by floating 15 percent of its share capital in the Hong Kong stock market. Cathay is clearly pleased that it, too, now has a link with China and presumably a more certain future.

Although Cathay has emphasized the political advantages of its new relationship, market analysts say that the capital injection from CITIC cannot have been unwelcome.

With long-term debt of roughly \$830 million, according to its share prospectus, Cathay has a debt-to-equity ratio of nearly 6 to 1.

"Everyone seems to see it as their job to grind us down," said a Dragonair executive. "We're just not going to be ground down."

As a customer for the McDonnell Douglas MD-11, which is being developed.

This would be a lot for even an established airline to digest. Apart from the implicit challenge to Dragonair's *guanxi*, or personal relationships, in China, the Cathay-CITIC link may be something of a moot point, some industry watchers suggest.

"If the Cathay deal is a hurdle, it's a hurdle so far down the road that it's not relevant to the present situation," said Carlton L. Poon, a senior analyst here for James Capel & Co., the London stockbrokerage.

Neither Mr. Sohmen nor any other Dragonair executive will comment directly on Dragonair's capital commitments. But analysts believe the airline, which is privately held, has spent some \$10 million, a figure that airline officials do not dispute.

When Dragonair made its debut in mid-1985, it was criticized, ironically, for having too many mainland enterprises among its shareholders.

The company subsequently restructured its ownership, reducing China's interest from nearly 40 percent to 9 percent.

Its largest, the Hong Kong-based 36 percent, is Sir Yue-Kong Fao, the property and shipping magnate

who also serves as Dragonair's chairman.

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(UPI, Reuters)

## Euro-Commercial Paper

Jan. 30				76-105 days			
Issuer	Rate	Yield	Amount	Issuer	Rate	Yield	Amount
15-45 days				106-135 days			
136-165 days				166-183 days			

## THE EUROMARKETS

## Eurodollar Bond Prices Slip Amid Confusion

By Norma Cohen

**LONDON**—Prices of Eurodollar bonds closed slightly lower Friday as investors shifted through conflicting signals about the direction of the U.S. currency, dealers said.

New issues capitalized on that confusion, including three that specifically offered investors the opportunity to bet that the dollar had bottomed out.

Reports earlier Friday of a lower-than-expected U.S. trade deficit helped the dollar recover some of the ground it had given up overnight.

But traders admitted later to being mystified by remarks from James A. Baker 3d, the U.S. Treasury secretary, that a weaker dollar

had not been a Reagan administration goal over the past year.

"The only issues you can sell in this market are either currency plays or those that are tailored for the Japanese investor," a trader said.

One of the new issues that appeared late Friday inside their fees at a discount of about 1.6.

With the dollar gyrating over a 4-penny range Friday, the greatest interest was centered on three issues.

In trading earlier Friday, when the dollar was at its low, Scandinavian Airlines Systems offered \$100

million of bonds with 200,000 currency warrants to buy dollars at 1.79 Deutsche marks to the dollar, with an expiration date of February 1989.

The bonds yield 6.75 percent and the package was priced at 109.4.

Within an hour of the announcement, the dollar had risen above the exercise price in the bonds.

By the end of the day, the SAS issue was quoted by brokers at a discount of about 1.4, well within its total fees of 1.4.

The two other issues, on behalf of Kansai-Osaka Bank of Japan and Banque Paribas, were pure currency plays. The warrants have no underlying security of either debt or equity.

## Six Banks Fail in U.S., Raising '87 Tally to 17

United Press International

**WASHINGTON**—Six small banks, one each in Oklahoma, Missouri and Indiana and three in Texas, have been closed by U.S. regulators, raising the number of bank failures so far this year to 17, the Federal Deposit Insurance Corp. reported Friday.

All six were closed Thursday. The largest, the Montgomery County Bank, N.A., of the Woodlands, a Houston suburb, had \$45.4 million in assets. Texas led the nation in bank closings in 1986, suffering 26 of 138 failures nationwide. If the pace of failures continues, 1987 would be a record year for closings of U.S. banks.

## Friday's OTC Prices

NASDAQ prices as of 4 p.m. New York time.

Via The Associated Press

Symbol	Price	Change
ABC	1.10	+0.01
ABT	1.10	+0.01
ABX	1.10	+0.01
ABY	1.10	+0.01
ABZ	1.10	+0.01
ABW	1.10	+0.01
ABV	1.10	+0.01
ABU	1.10	+0.01
ABT	1.10	+0.01
ABX	1.10	+0.01
ABY	1.10	+0.01
ABZ	1.10	+0.01
ABW	1.10	+0.01
ABV	1.10	+0.01
ABU	1.10	+0.01
ABT	1.10	+0.01
ABX	1.10	+0.01
ABY	1.10	+0.01
ABZ	1.10	+0.01
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ABU	1.10	+0.01
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ABX	1.10	+0.01
ABY	1.10	+0.01
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ABW	1.10	+0.01
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ABX	1.10	+0.01
ABY	1.10	+0.01
ABZ	1.10	+0.01
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ABZ	1.10	+0.01
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## SPORTS

## Murray May Have Won First Skirmish in Cup Battle of Gamesmanship

By Barbara Lloyd  
New York Times Service

FREMANTLE, Australia — In the games both at sea and ashore that Dennis Conner's Stars & Stripes team and Iain Murray's Kookaburra III crew have played leading up to Saturday's opening race of the America's Cup series, the Kookaburras may have scored the last point.

According to a source close to the Kookaburra syndicate, Taskforce '87, the Australians switched boats during speed testing last week with New Zealand, the host Conner team to become the challenger. Instead of pitting the Kookaburra III — which will defend the America's Cup — the tests were made with Kookaburra I, the syndicate's oldest and presumably slowest 12-meter.

Conner, in thinking the Australians were sailing Kookaburra III, paced the two boats from a distance with Stars & Stripes. He also sent his design team out to watch from a helicopter. Conner already knew New Zealand's potential from previous races, and in following the two boats as they passed he could use the information gained as a yardstick with which to measure the speed of Kookaburra III.

By substituting the older boat, which looks identical to Kookaburra III above the waterline, the Australians might have been able to distort Conner's assessments. The switch also could have given the Australians more time in the boat shed to work on changes to Kookaburra III.

Chris Dickson, the skipper of New Zealand, said Thursday that his team had checked to make sure it wasn't sailing against Kookaburra II, but had never thought to watch out for Kookaburra I. "That would be a perfect trick," Dickson said.

Grant Donovan, a spokesman for the Kookaburra team, said that he knew of no substitution. But he did concede that the two Kookaburra boats are identical enough above the waterline to carry off the ploy, and added: "We could do something like that. We're not on this occasion."

Murray refused to comment. From all reports the Kookaburra, whichever it was, appeared a bit faster upwind than New Zealand and a bit slower downwind. But the boats were not racing and Dickson indicated that his crew was not trying very hard.

Before the defense trials began last October, the

syndicate substituted Kookaburra I for Kookaburra III in practice racing against another of its boats and never denied news reports that it was Kookaburra III.

Conner has taken every opportunity to learn about Kookaburra III, a boat he has never raced against, and Murray has shown a similar interest in watching Conner. This week, neither has seemed overly confident, because the key to the games the two will play on the water is in the weather.

Tom Whidden, Conner's tactician, said 20 knots of wind would best suit Stars & Stripes. Mike Fletcher, sailing coach for Kookaburra, would like 12 knots, but has said that his crew can live with anything up to 18 knots. At that point, the Kookaburra team would be concerned about the speed potential of Stars & Stripes, which, during the last four months of trial racing, has proved to be a high performer in brisk winds.

"We'll probably take it easy at the start on the first day," Fletcher said. "Our tactics in the series will depend on the results of that first half-mile (800 meters), the first five minutes of the race. We'll know then whether we're faster or slower than Stars & Stripes. As soon as we get that result, our tactician will be ready to say, 'This is what we do next.'"

Whidden has taken a broader view of that crucial first encounter. If the winds are blustery, he said, Stars & Stripes will follow the pattern set during the last four months.

The strategy is referred to by Conner's team as the "Amy Vanderbilt start." It is a traditional timed start, perfected by Harold Vanderbilt during cup matches in the 1930s. Conner's crew resented it to suit their particular style, which is to sail away from the starting line until the time is such that they can sail back up to the line and cross it the split second the starting gun goes off.

The Kookaburra team, which uses Peter Gilmore as starting helmsman, tends to engage the other boat, circling in a traditional match-racing maneuver until Gilmore can get his boat on the opponent's stern. The position is favored because yacht racing rules prevent the lead boat from tacking or jibing in the way of the boat on its stern.

Fletcher expects the initial encounter Saturday to affect strategy for the rest of the best-of-seven series. If Stars & Stripes takes an early lead, it can be expected that Conner will maintain the lead by keeping a loose cover to block Kookaburra III's wind as the Australians sail from behind.

Stars & Stripes is generally considered to have an edge in the four upwind legs of the

course: the first, third, sixth and eighth. The fourth and fifth legs form a triangle to the wind, and are referred to as reaches, where the wind passes across the beam of the boat. Speeds there are likely to be fairly even. Kookaburra's strengths are in sailing downwind, the second and seventh legs of the 24-mile (38.7-kilometer) course.

Both teams have been working hard to develop the new balloon jib, a large, spinnaker-like sail that is favored for the reaches. For downwind speed, Conner may try his "Dolly" sail, a parachute-like spinnaker that Stars & Stripes acquired from the New York Yacht Club's unsuccessful America II.

As was New Zealand, Kookaburra III is expected to be quicker in tacking than Stars & Stripes. Knowing that, Whidden said, Stars & Stripes would try to capitalize on straight-line boat speed.

If the winds are light, anything under 16 knots, Stars & Stripes may have to work harder at tactics to outwit the Australians. "I hope we don't start our first race in 14 knots of wind," said Whidden. "If we do, we will have to be more aggressive."

"We know we're in the ball park," said Fletcher of his boat's comparative speed with Stars & Stripes.

"But anyone who says they know which boat is faster is fooling himself," he added. "You just have no way of knowing at this point who is going to be faster."

## Bond Sells Boats, to Aid Japanese

Alan Bond, who won the America's Cup for Australia in 1983, said Friday he would give the Japanese about \$1.3 million to help them attempt to win the cup in 1990. The Associated Press reported from Fremantle.

Bond, the Perth millionaire who became a national hero for bringing the cup to Australia, said "it will encourage the sport of 12-meter racing to bring Japan up to the status of a viable contender." He added that "we want to sell our beer there, so there is a commercial reason as well."

He owns the Swan Brewery in Perth. His disclosure of financial aid came at the announcement confirming a contention rumor that he would sell his two cup racers, Australia III and IV, to the Japanese. The buyer, for \$7.5 million, was Masakazu Kobayashi, a businessman and yachtsman.

Asked if this meant he would no longer be a cup contestant, Bond, who has raced for the trophy five times, replied, "Yes, in all probability."

## Yup, That'll Be a Cuppie

It Has a Hangover, but Is Unsalted

By Stewart Slavin  
United Press International

FREMANTLE, Australia —

First there were Yuppies. Now

there are Cuppies.

They are easily spotted on the

streets of Fremantle, wearing

expensive French sunglasses which

dangle from their tanned necks on

black corded chains. Their feet are

adorned with trendy deckshoes,

ranging in color from tan to rasp-

berry. They have never felt the

splash of Indian Ocean water.

They wear syndicate T-shirts —

French Kiss and the Gucci-designed

wears of Italia are favored — and

wear slick plastic visors to further

shade the sun.

Some Cuppies bear a resemblance

to circus clowns with garish, pastel-

colored zinc creams of pink, green,

yellow and blue smeared on lips and

nose, ostensibly to ward off sun-

burn. Around town, Cuppies ride

scooters and bicycles.

Few Cuppies are willing to admit

their new social status. In fact,

when the national Australian

Broadcasting Corp. did a television

report on Cuppies, two young women

thrust a lawsuit because they

were pictured in the company of

the leading football player —

a television star who turns the win-

dow on America's Cup yacht.

Like most sports, you can't tell

the players without a program and

cuppies are no exception. Rob

Woodward, manager of local radio

station 6KY, provided some help in

editorial.

Cuppies are between 18 and 30

years of age and would never be

seen dead without their Bolle sun-

glasses dangling around their per-

fectly sun-browned necks on a

crappy piece of black string,"

Woodward said.

Cuppies by Timberland or

Gerry deckshoes. In cases of lesser

fluency, they may make a surrepti-

tious foray into emporiums like

lets and Betts (a shoe store), and

try a part of the imitation deckies.

Incidentally, Cuppies never

have those tell-tale salt stains on

their decks. The white rime that

sweats from a yacht's deck shoe

only comes from the constant

splash of sea water.

"Obviously Cuppies never get

their boat shoes near salt water."

In their spare time, the "in" Cup-

pies drink at Fremantle's Norfolk

Hotel, while "Cuppies-rising"

quench their thirst at the Sail and

Anchor, according to Broadfield.

"The Cuppies go to the Norfolk

to hang out with the crew, but they

come here to get crushed," said a

bartender at the Sail and Anchor

who would only give his name as

Mark. The bar features 11 high-

octane "boutique" beers especially

brewed for the pub.

"Cuppies come in here and have

three pints of Dog Bolter beer for

\$8. They leave with only half a

brain — that's enjoyment," Mark

said. "American Cuppies are much

nicer and quieter than the Austral-

ians and don't brash and loud like

you read about."

For those who want a souvenir,

silversmith Conrad Chambers sells

hand-beaten silver replicas of the

135-year-old mug for \$600. His

shop also features foot-long (30.5

centimeter) silver replicas of cup

defender Kookaburra III, detailed

to its winged-keel, for \$1,600.

"It's been a lot of fun," said Cop-

pie Julie Paulish, 26, of Washington,

D.C., who borrowed \$1,500 for a

two- and one-half week visit. "It's

been a whirling pace with parties

every night until 2 A.M. I've

never been hung over, but there's

always cobwebs to clear away."

Even the 3,000-member Ameri-

can Cup press corp has not escaped

being linked to "Cuppiesdom."

"Cuppie media representatives

are a breed apart," Broadfield said.

"They never without their ac-

creditation passes hanging around

their necks, sometimes creating a

confusing tangle with the Bolles."

"Some are said to sleep with their

accreditation, and a crinkled and

stained accreditation card around

the neck means they've probably

taken their daily shower with it on."



Villagers of the Valais area, distinctive by their traditional dress and pipes, watched countrywoman Erika Hess triumph.

## Top Indy Rookie Sought by Police

The Associated Press

BENTON, Illinois — A

warrant has been issued for

racer driver Randy Lanier, the 1986

IndyCar Series 500 rookie of the

year, after his indictment with

nine others on drug charges.

The six-count federal grand

jury indictment alleges that

Lanier, 32, engaged "in an enter-

prise to distribute" more than

1,000 pounds (453 kilograms) of

marijuana over a six-year period.

Assistant U.S. Attorney Michael

Carr said Thursday the drug

smuggling took place in

southern Illinois, Kentucky,

Florida, California, West Vir-

ginia, Louisiana and elsewhere.

## Red Sox Sign Boggs for \$5 Million; 11 Other Players Quit Arbitration

New York Times Service

NEW YORK — Wade Boggs,

the Boston Red Sox's three-time

batting champion, and 11 other

major league players settled their

salary arbitration cases Thursday.

A source familiar with the negoti-

ations between Boggs and the Red

Sox said they had agreed on a three-

year contract for salaries just under

\$5 million and award bonuses that

could add significantly to his earn-

ings each year. The contract is the

second biggest ever given a Red Sox

player, the biggest being Jim Rice's

four-year, \$9 million package.

Boggs, 28, a third baseman going

into his sixth season with a .352

career average, lost in arbitration

last year but gained an arbitration

record \$1.35 million salary never-

theless. Two years ago, an arbitrator

awarded him \$1 million. This year,

after winning his third batting title

with a .357 mark, he submitted a

figure of \$1.85 million and the Red

Sox went in at \$1.6 million. The

average annual salary of the three-

year package would be closer to the

team's figure than to his.

Of the 11 other players who

reached agreement, Bud Black of

Kansas City received the biggest sal-

ary, \$600,000, which was a \$45,000

cut from last season. Black, who had

a 5-10 record with nine saves, had

sought the same salary as last year,

while the Royals offered \$550,000.

Other players who agreed to new

contracts were Craig Lefferts of

San Diego (\$500,000), Terry

Harper of Detroit (\$425,000), Cecil

Guante (\$405,000) and Charlie

Hudson (\$305,000) of the New

York Yankees. Keith Atherton of

Minnesota (\$300,000), Bob Keaney

(\$300,000) and Mike Morgan

(\$170,000) of Seattle, John Shelby

(\$300,000) and Brad Harens

(\$165,000) of Baltimore and Chris

Cuddeback of Oakland (\$295,000).

The original arbitration list of 109

players has shrunk to 65. The first

cases are to be argued Monday.

## Caldwell Leads Former Crosby By 1 Shot After First Round

The Associated Press

PEBBLE BEACH, California —

Rex Caldwell, who got to play in

the golf tournament only because

he received a sponsor's exemption,

shot a no-bogey, five-under-par 67

Thursday for a one-shot lead after

the first round of the Pebble Beach

National Pro-Am.

Former British Open champion

Sandy Lyle of Scotland, Larry

Wardkins, Tom Byrum and John

Adams shot 68. Wardkins and Lyle

played at Spyglass Hill, probably

the most difficult of the three

courses on the Monterey Peninsula,

while Adams and Byrum played at

Pebble Beach in the chilly breeze.

Tom Watson, twice a winner of

this old tournament, formerly

known as "The Crosby," shot 69 at

Cypress Point as he attempted to

end a two-year non-winning streak.

The group at three-under-par in-

cluded Payne Stewart, John Ma-

haffey, Dan Pohl, Willie Wood,

Roger Maltbie, Bill Stead, Isaac

Aoki of Japan, Ken Green and

Richard Zokol of Canada.

Stewart had shared the lead until

he hit his approach into an unplay-

able lie and made double bogey.

PGA champion Bob Tway, who

started his round with a 7, British

Open champion Greg Norman of



